April 27, 2001 VIA FEDEX

Ms. Deena Sheppard-Johnson, SR-6J
Enforcement Specialist
Remedial Enforcement Support Section
Environmental Protection Agency
77 West Jackson Boulevard
Chicago, IL 60604-3590

Re: Notice Letter and Information Request dated March 2, 2001 regarding the Chemical Recovery Systems Site in Elyria, Ohio

Dear Ms. Sheppard-Johnson,

I am writing on behalf of our affiliated company, Clestra Hauserman, ("Clestra") located in Solon, Ohio, in response to the information request letter referenced above. The letter was addressed to E.F.Hauserman and Clestra at the latter's business address in Solon, Ohio.

Future EPA Notification

Please direct future communications regarding Clestra to me at the address below.

PRP Determination

Clestra intends to cooperate with the U.S. Environmental Protection Agency ("EPA") provided that Clestra is properly identified as a Potentially Responsible Party ("PRP") for the Chemical Recovery Systems ("CRS") Site and to cooperate with EPA to reach a determination on that question. However, at this point, Clestra objects to the determination by EPA that it should be considered a PRP for the CRS Site and this response does not constitute an admission of any fact or liability or a waiver of any argument or defense. Our review indicates that Clestra is not a successor in interest to E.F.Hauserman, Sunar Hauserman, Hauserman, Inc. or any other Hauserman entity (collectively for purposes of this response "Hauserman") that allegedly used the CRS Site during the relevant

period of the 1960's to 1970's. Moreover, we do not have any information that Hauserman or related entities or their successors would be responsible parties.

Clestra will provide any additional documents or information we discover relevant to the relationship between Clestra and the Hauserman companies. Until we have had an opportunity to fully examine any additional available records, we reserve the right to supplement our response, including any objections. If any additional records contradict our conclusion that Clestra is not a successor to the Hauserman companies and those records show that Clestra is responsible for contributing to contamination at the Site, we will of course fully cooperate with EPA in its efforts to address the situation.

Responses to Information Request

Objections

Clestra objects to the Information Request on the grounds, among others, that EPA has not established the prerequisites set forth in CERCLA Section 104(e)(1) and that the request goes beyond the scope of the requests authorized by CERCLA Section 104(e)(2). Without waiving or in any way limiting any objection it has or may have to the request, and with the understanding that the questions are directed to activities relating to the CRS Site and the time period 1960 to 1981, Clestra responds to each of the numbered requests as follows.

Introduction

Based on our review of available documentation and other information, it is clear that Clestra bears no responsibility for any disposal or other activities at the CRS Site. To the extent that one of the Hauserman companies may have used the CRS Site, successor entities, if they still exist, would retain any potential liability for activities during the relevant period.

After diligent inquiry, our best information indicates that Clestra was incorporated in 1989 in Delaware as the U.S. subsidiary of Clestra, SA, a French corporation. Clestra SA previously had obtained the right to the Hauserman name for European operations. In 1990 it acquired that name and certain limited assets in the U.S. from Hauserman, Inc. and Sunar Hauserman. Clestra began operations in Cleveland in 1990 with a small staff using an office leased from Sunar Hauserman. Thereafter, it purchased undeveloped land and built the current Clestra manufacturing plant in Solon, Ohio.

Clestra did not acquire any Hauserman facility, operate any Hauserman facility, take on its management team or otherwise continue its operation. Clestra did acquire a wall product line, some related fixtures and equipment, hired a limited number of production employees for its new facility, and acquired the right to use the name Hauserman in with the wall product. Copies of relevant transaction documents are enclosed. Sunar Hauserman and Hauserman, Inc. apparently remained in business after the transaction with Clestra, SA although those companies were involved in a Chapter 11 bankruptcy in the early 1990's. William F. Hauserman was an officer of both companies. He may be able to provide additional information.

Clestra, SA structured the transaction as an asset purchase, not a stock purchase or merger to avoid the acquisition of liabilities, including environmental ones. (See enclosed purchase agreement.) Notably, the transaction initially contemplated the purchase of the Hauserman factory but that portion was later cancelled due at least in part to environmental concerns. (See enclosed correspondence dated April 19, 1990.) It is clear from the transaction documents that neither Clestra Hauserman nor Clestra SA assumed any environmental liabilities of Sunar Hauserman, Hauserman, Inc., E.F.Hauserman or any other Hauserman entity.

In 1998, Steelcase Inc. ("Steelcase") acquired a minority interest in Clestra from Strafor Facom, a French corporation with which Steelcase had a joint venture relationship. In that transaction, Steelcase excluded any potential environmental

liability through an indemnity agreement under which Facom U.S. retained any environmental liabilities of Clestra. (See enclosed purchase agreement.) In 1999, Steelcase acquired the remaining interest in Clestra. Again in that transaction, Steelcase avoided acquiring any historical environmental liability. (See attached purchase agreement.) Thus, even if Clestra Hauserman had retained any environmental liability from Sunar Hauserman or E.F. Hauserman, and the documents show it did not, those liabilities would not have been assumed by Steelcase when it acquired Clestra Hauserman.

While we do not have all relevant records, our review of the available transaction documents confirms that Clestra Hauserman assumed no environmental liabilities of the E.F.Hauserman, Sunar Hauserman or other Hauserman entities after the 1990 asset purchase transaction. Further, in acquiring first a minority interest in 1998 and later the remaining interest in Clestra Hauserman's U.S. operation, Steelcase similarly avoided assuming any environmental liabilities. To the extent that any Hauserman company may be liable for activities at the Site, and we do not know that there is any such liability, that potential liability would fall to other entities or individuals.

Responses:

1. Jeff Gorenc, Kevin Murphy and Shawn Gaffney, Clestra Hauserman, Solon, OH; Jean-Luc Bikard, Clestra Hauserman, S.A., 56 rue Jean Giraudoux, P.O. BOX 46, 67034 STRASBOURG CEDEX, FRANCE. Note that there is no corporate relationship between the U.S. company Clestra Hauserman and the French company Clestra Hauserman, S.A.

2. The only relevant documents we have located are purchase agreements and related documents concerning the acquisition of assets by Clestra and later Steelcase. Copies of the agreements are enclosed.

3. Despite diligent inquiry, we have not been able to identify any current or former employees or others with information on waste disposal practices at the Hauserman companies or the CRS Site. If there are any surviving Hauserman entities, they may have additional information. William F. Hauserman may also have information.

4. Clestra's EPA identification number is OHD987033958.

5. Despite diligent inquiry, we have no information regarding the CRS Site other than what we received in the notice letter referenced above.

6. Despite diligent inquiry, we have not been able to identify any current or former employees with knowledge regarding waste disposal practices at the Hauserman companies or the CRS Site.

7. Despite diligent inquiry, we have found no information regarding any of the persons or companies listed in this request.

8. Despite diligent inquiry, we have found no information relating to the CRS Site or any waste disposal activities related to the CRS Site.

9. Despite diligent inquiry, we have found no information relating to the CRS Site or any waste disposal activities related to the CRS Site.

10. As described above, Clestra Hauserman came into existence in 1989. Clestra's insurance carriers and general liability insurance policies in force since the company's inception would not be relevant to the period of operation of the CRS Site and thus are not enclosed. To the extent this information does not satisfy the request, Steelcase objects to the request

for copies of insurance policies and other information as irrelevant, overly broad and unduly burdensome.

11. Steelcase is a public company. Financial information is available through public documents filed with the SEC. A copy of our most recent annual report is enclosed. To the extent this information does not satisfy the request, Steelcase objects to the request for additional tax or financial information as irrelevant, overly broad and unduly burdensome.

12. See response No. 11.

13. Not applicable.

14. Not applicable.

We will supplement these responses should we develop any additional pertinent information.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gathered and evaluated the information submitted.

Based upon my inquiry of the persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Please let me know if you have any questions or comments concerning this response.

Sincerely,

James G. O'Connor
Senior Corporate Counsel
Phone: 616-247-3336 Fax: 616-246-4068

Enclosures

Cc: Thomas Nash (w/o encl.)
James N. Mayka (w/o encl.)

CLESTRA Hauserman

Laurance S. Nowak
President & CEO

April 19, 1990

Mr. William P. Hauserman
Chairman
Hauserman, Inc.
SunarHauserman, Inc.
5711 Grant Avenue
Cleveland, OH 44105

Re: Plant Purchase Agreement (the "Agreement") dated January 18, 1990 by and among Clestra Hauserman, Inc. ("Purchaser") and Hauserman, Inc. and SunarHauserman, Inc. (collectively, "Sellers")

Dear Mr. Hauserman:

We have reviewed the results of the Environmental Audit (as defined in ~~the Agreement). Pursuant to Section 4.3 of the~~ Agreement, we hereby notify you that we elect (a) to terminate the Agreement, and (b) to purchase those Rejected Items listed on Annex I hereto for a total purchase price of $1.00, which we will tender against receipt of a bill of sale with repsect thereto. As of the date hereof, the Agreement is null and void and of no further force and effect.

Sincerely,

Clestra Hauserman, Inc.

cc: Society National Bank
T. J. McCarthy, Coudert Brothers
Jean-Charles Pauze, Clestra SA

Plant Nuclear
~~Safety~~ agr

EXHIBIT B

"Rejected Items"

1. Grouping of paint support equipment consisting of, but not limited to: approximately 75 Lightnin mixers, storage and mixing tanks, paint laboratory, Labscon color difference meter, film thickness gage, glossmeters, lab counters, glassware, small paint booth, Lanley industrial oven and related equipment.

2. Design Option wall assembly line consisting of, but not limited to: Designated and fabricated by General Fabricators Corporation, panel skin glue application booth with I.R.C., eight (8) glue application spray system with gauges, Graco Pneumatics pumps, spray booth with walking conveyor, Black Bros. 60" glue spreader with conveyors on/off, hand glue spray operation, 60" booking table with flip over line, with motors and drives, 60" pinch roll machine, No. 2358, take off and cross conveyors, transfer stations, motors, drives and controls.

3. Paint line consisting of, but not limited to: five (5) stage phosphate system, two (2) Ross gas fired drying ovens, electrostatic paint spray equipment, spray booths, reciprocators, water fall paint spray booths, water mist system, burn off oven with motors, pumps, blowers, General Fabrication and Nordson control panels, incline overhead chain conveyor system throughout plant, all related equipment and accessories.

CLESTRA Hauserman

Annex I

1. Grouping of paint support equipment consisting of: paint laboratory (excluding the paint booth), Labscon color difference meter, film thickness gauge, glossmeters, lab counters, glassware, Lanley industrial oven and related equipment.

2. Elements of the Design Option wall assembly line including: spray booth with walking conveyor, Black Bros. 60" glue spreader with conveyors on/off, 60" booking table with flip over line, with motors and drives, 60" pinch roll machine, No. 2358, take off and cross conveyors, transfer stations, motors, drives and controls.

3. Elements of the paint line consisting of: two (2) Ross gas fired drying ovens, burn off oven with motors, pumps (excluding paint pumps), blowers, General Fabrication and Nordson control panels, incline overhead chain conveyor system throughout plant, all related equipment and accessories.

th paragraph 4(b) hereof. EXCEPT AS PROVIDED IN THE MEDIATELY PRECEDING SENTENCE, SUNAR MAKES NO WARRANTIES, XPRESS OR IMPLIED, WITH RESPECT TO THE WALL PRODUCTS, INCLUDING NY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR URPOSE.

8. Term and Termination. This Agreement shall be terminated and of no further force and effect on the earliest to occur of the following events:

(a) Payment of the Plant Purchase Price (as such term is defined in Section 2.1 of the Plant Purchase Agreement);

(b) In the event Clestra purchases the Plant Option (as such term is defined in Section 1.1 of the Plant Purchase Agreement), the earlier of (i) the expiration of eighteen (18) months after completion of Sellers' Remediation Obligation (as provided in Sections 4.5 and 4.6 of the Plant Purchase Agreement) or (ii) the exercise by Clestra of the Plant Purchase Option;

(c) In the event Clestra does not pay the Plant Purchase Price or purchase the Plant Option at the end of the Assessment Period, the earlier of (i) the expiration of two (2) years after the end of the Assessment Period or (ii) completion by Clestra of the removal of the Purchased Assets from the Plant;

(d) The fifth (5th) day after delivery of notice by Clestra to Sunar and the Secured Lenders (as such term is defined in the Asset Purchase Agreement) of termination hereof due to a breach of this Agreement by Sunar, unless such breach has been cured to Clestra's satisfaction, in its sole discretion, within such five (5-) day period; or

(e) The thirtieth (30th) day after delivery of notice by Clestra to Sunar of the termination of this Agreement for any reason other than that specified in paragraph 8(d) hereof or for no reason.

9. Notices. All notices, requests, demands and other communications hereunder shall be deemed to have been duly given if the same shall be in writing and shall be delivered personally or sent by confirmed facsimile transmission or registered or certified mail, postage prepaid, return receipt requested, and addressed as set forth below:

If to Sunar:

SunarHauserman, Inc.
5711 Grant Avenue
Cleveland, OH 44105
Attention: President
Fax No.: (216) 641-0545

If to Clestra:

Clestra Hauserman, Inc.
5711 Grant Avenue
Cleveland, OH 44105
Attention: Laurance S. Nowak, President
Fax No.: (216) _____

with a copy to:

Coudert Brothers
200 Park Avenue
New York, NY 10166
Attention: Timothy J. McCarthy, Esq.
Fax No.: (212) 972-1768

Any such notice shall be effective upon receipt, as evidenced by the confirmation or return receipt with respect thereto. Any party may change the address to which notices are to be addressed by giving the other parties notice in the manner herein set forth.

[Execution Copy]

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement"), made this 18th day of January, 1990, by and among CLESTRA HAUSERMAN, INC., a Delaware corporation ("Purchaser"), and HAUSERMAN, INC., an Ohio corporation, as Debtor and Debtor-in-Possession ("Hauserman"), and SUNARHAUSERMAN, INC., an Ohio corporation and a wholly owned subsidiary of Hauserman, as Debtor and Debtor-in-Possession ("Sunar"; Hauserman and Sunar are sometimes referred to herein collectively as "Sellers," and individually as a "Seller"),

W I T N E S S E T H:

WHEREAS, Sellers desire to sell to Purchaser and Purchaser desires to purchase from Sellers the movable, interior, floor-to-ceiling wall business of Sellers as presently conducted (the "Wall Business") and certain of the assets of Sellers employed therein, upon the terms and conditions set forth herein; and

WHEREAS, Purchaser is willing to consummate the transactions contemplated hereunder provided that Sellers agree to certain restrictions on competition with Purchaser as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants of the parties hereinafter expressed, it is hereby agreed as follows:

ARTICLE I

PURCHASE AND SALE OF ASSETS

1.1 Assets to be Purchased. Subject to the terms and conditions hereof, on the Closing Date (as defined in Section 1.8 hereof), Sellers agree to sell and transfer to Purchaser (or, in the case of any patents, to an affiliate of Purchaser designated by Purchaser) and Purchaser agrees to purchase from Sellers all of Sellers' right, title and interest, free and clear of any and all liens, claims or encumbrances of any kind or nature whatsoever, in and to (A) all of the Assets (as hereinafter defined), and (B) the Wall Business as a going concern. Without limiting the generality of the foregoing, the term "Assets" shall mean:

(a) All tangible personal property located at the property located at 6551 Grant Avenue, Cleveland, Ohio (which property, together with the buildings and fixtures located therein, is hereinafter referred to as the "Plant") on the date hereof and all other tangible personal property which shall be located at the Plant on the Closing Date, other than (i) any items of personal property listed on Schedule 1.2 hereto, and (ii) any item which Purchaser shall designate, pursuant to the Plant Purchase Agreement referred to in Section 5.3 hereof, as a

Rejected Item (as defined in such Plant Purchase Agreement) at or prior to the Closing (as defined in Section 1.8 hereof).

(b) All other tangible personal property used by Sellers in connection with the Wall Business and listed on Schedule 1.1(b) hereto.

(c) All inventories relating to the Wall Business wherever located, including but not limited to all raw materials, finished goods, component parts and work-in-process relating to the customer orders agreed to be assumed by Purchaser in accordance with the terms of Section 1.3(a)(iii) hereof.

(d) (i) All U.S., state and foreign patents, trademarks, copyrights, tradenames and service marks, all registrations and applications for the foregoing and all franchises and rights under technical assistance agreements, engineering agreements, consulting agreements and license agreements listed on Schedule 1.1(d) hereto; (ii) all processes (secret or otherwise), trade secrets, inventions, discoveries, proprietary data, technical data, formulae and know-how to the extent used in the Wall Business and (iii) all other goodwill, intellectual property and intangible property rights of every kind, in each such case to the extent used in the Wall Business; (iv) the right and power to assert, defend and recover title to all of the foregoing in the same manner and to the same extent as Sellers could do or could cause to be done if the transactions contemplated hereby did not occur; and (v) the right to recover for past damages on account of the infringement, misuse, misappropriation or theft thereof.

(e) All rights arising under the Assumed Obligations, as such term is defined in Section 1.3(a) hereof.

(f) All business records, engineering records, and other documents, discs, tapes and other records to the extent related to the Wall Business, including (but not limited to) all sales data, customer lists and records, accounts, bids, contracts, supplier records, drawings, designs, specifications, process information, performance data, software programs, and other information or data to the extent related to the Wall Business, but excluding original copies of the accounting and corporate books of Sellers, to which books Sellers shall permit Purchaser reasonable access during regular business hours during the three-year period immediately following the Closing Date, provided that in the event Sellers desire to dispose of such books, Sellers shall turn over such books to Purchaser.

(g) All other claims, rights and choses in action accruing to Sellers, or either of them, against third parties, whether liquidated or unliquidated, to the extent related to the Wall Business.

1.2 Excluded Assets. Notwithstanding anything to the contrary in Section 1.1 hereof, there are excluded from the Assets and the Wall Business as a going concern which Sellers shall sell and transfer to the Purchaser pursuant to this Agreement all items listed on Schedule 1.2 hereto (the "Excluded Assets").

1.3 Obligations to be Assumed.

(a) Subject to the terms and conditions hereof, as of the Closing Date, Sellers agree to assign and transfer to Purchaser and Purchaser agrees to assume:

(i) Sellers' obligations under the contracts and the other obligations of Sellers to the extent relating to the Wall Business which are specifically listed and described on Schedule 1.3(a)(i) hereto (collectively, the "Contracts"), to the extent such obligations are applicable to and accrue with respect to periods subsequent to the Closing Date and are accompanied by a correlated duty of performance or payment on the part of the other party(ies) thereto.

(ii) Such other obligations of Sellers as are entered into with respect to the Wall Business between January 2, 1990 and the Closing Date in the ordinary course of business and in accordance with Article IV hereof, to the extent such obligations are applicable to and accrue with respect to periods subsequent to the Closing Date, are accompanied by a correlated duty of performance or payment on the part of the other party(ies) thereto and are disclosed to the Purchaser and expressly assumed by the Purchaser at the Closing.

The obligations referred to in Sections 1.3(a)(i) and (ii) hereof are hereinafter sometimes collectively referred to as the "Assumed Obligations."

(b) Notwithstanding the foregoing, if the assignment and transfer of any of the Assumed Obligations would cause a breach thereof and if any required consent to such assignment and transfer has not been obtained from the third party(ies) involved, then such Assumed Obligation shall not be assigned and transferred, but Sellers shall use their best efforts to obtain such consent from the date hereof until such consent is obtained, Purchaser shall act as agent for Sellers in order to obtain for Purchaser all of the benefits under such Assumed Obligation, and Purchaser shall perform all of the obligations under such Assumed Obligation as agent for Sellers.

(c) Except as expressly provided in this Section 1.3, Purchaser does not hereby and will not assume or become liable for and shall not be obligated to pay or satisfy any obligation, debt or liability whatsoever, contingent or otherwise, of Sellers. Sellers and Purchaser shall each pay one-half (1/2) of all foreign, state and local sales or other transfer taxes which arise in connection with the sale and transfer of the Assets to Purchaser.

1.4 Aggregate Consideration.

(a) Subject to the adjustment provided for in Section 1.5 hereof, the aggregate consideration (the "Aggregate Consideration") to be paid and delivered to Sellers for the sale of the Assets to Purchaser and the covenant not to compete as provided herein shall consist of

(i) Seven Million Five Hundred Thousand Dollars ($7,500,000) (the "Cash Purchase Price"); and

(ii) the amount of the Assumed Obligations.

(b) The Cash Purchase Price shall be reduced by (x) the earnest money deposit (the "Cash Deposit"), in the amount of $1,200,000, plus accrued interest, made by Purchaser with Society National Bank, Escrow Agent, in accordance with the Order dated December 12, 1989 of the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division (the "U.S. Bankruptcy Court"), (y) the amount of the Deposit Adjustment, if any, as described in Section 1.5(c) hereof and (z) the amount of the Estimated Inventory Adjustment, if any, as described in Section 1.5(a)(i) hereof. The balance of the Cash Purchase Price shall be payable to Hauserman for the account of Hauserman and Sunar, or in such other manner as the U.S. Bankruptcy Court may direct, at the Closing.

1.5 Adjustment of Purchase Price. The Cash Purchase Price shall be adjusted as follows:

(a) Inventory Adjustment.

(i) At the Closing, Sellers shall deliver to Purchaser a statement of Sellers' good faith estimate of the value of the inventory of the Wall Business on the Closing Date (the "Estimated Inventory Value"). The Cash Purchase Price payable at the Closing shall be reduced by the amount, if any, by which the Estimated Inventory Value is less than $1,000,000 (the "Estimated Inventory Adjustment").

(ii) In the event the Inventory Value of the Wall Business (as hereinafter defined) falls short of

$1,000,000, the Cash Purchase Price shall be reduced by the amount of such shortfall, less the amount of any Estimated Inventory Adjustment.

(iii) In the event the Inventory Value of the Wall Business is greater than $2,000,000, the Cash Purchase Price shall be increased by the amount of the excess. For purposes of this Agreement, the "Inventory Value of the Wall Business" shall mean the final value of the inventory of the Wall Business reflected on the Closing Audit Report (as defined in Section 1.6 hereof), if any.

(iv) The amount, if any, by which the Cash Purchase Price is reduced or increased pursuant to clause (ii) or (iii) above shall be refunded to or paid by Purchaser as appropriate. Any such refund may be effected by Purchaser by deducting the amount of such refund from, at Purchaser's discretion, any of the Plant Purchase Price or the Plant Option Price under the Plant Purchase Agreement provided for in Section 5.3(b) hereof, or the Performance Fees or Final Performance Fee under paragraph 5(c) of the Supply Agreement provided for in Section 5.3(a) hereof. Any such payment to be made by Purchaser shall be made in cash not later than the date six (6) months after the date hereof.

(b) Closing Apportionments. All items of prepaid or accrued expenses relating to the Assets and Assumed Obligations (other than customer orders), including without limitation utilities, telephone, personal property taxes, insurance, and lease payments shall be apportioned between Sunar and Purchaser as the close of business on the Closing Date pursuant to a schedule of apportionments (the "Apportionment Schedule") prepared by Sellers and delivered to Purchaser at the Closing. The Cash Purchase Price payable at the Closing shall be reduced or increased, as the case may be, by the net amount of such apportionment.

(c) Deposit Adjustment. Sellers shall deliver to Purchaser at the Closing a true and correct list of all deposits, advance payments and progress payments with respect to any sales orders for Products included as part of the Assumed Obligations. The Cash Purchase Price payable at the Closing shall be reduced by the aggregate amount of all deposits, advance payments and progress payments set forth on such list (the "Deposit Adjustment"). Purchaser shall perform all of the obligations associated with such sales orders from and after the Closing.

1.6 Closing Audit.

(a) Inventory. If in the opinion of Purchaser the Estimated Inventory Value may not correspond to the actual value of the inventory of the Wall Business on the Closing Date, Purchaser may, but shall not be required to, take a physical inventory, in the presence of Purchaser's certified public accountants, Arthur Andersen & Co. ("CPA"), and, at any of their options, representatives of Society National Bank, Ameritrust Company National Association or National Bank of Detroit (collectively, the "Secured Lenders"), as of the Closing Date, and prepare a report setting forth the value of the inventory included in the Assets as of the Closing Date (the "Inventory Report") in accordance with the principles and procedures set forth in Schedule 1.6 hereto and observing the principles set forth in Section 2.6 hereof.

(b) Closing Audit. CPA shall conduct an examination of the Inventory Report in accordance with generally accepted auditing standards, subject to the principles set forth on Schedule 1.6 hereto. Such examination is herein referred to as the "Closing Audit Report." The Inventory Report shall be prepared and the Closing Audit Report shall be completed and delivered to Purchaser and Sellers, with a copy to each of the Secured Lenders, as soon as practicable following the Closing Date, but in any event within 90 days thereafter. In the event either Purchaser or Sunar or any of the Secured Lenders is in disagreement with any determinations made by CPA in connection with the Closing Audit Report, each specific item of disagreement shall be set forth in writing and delivered to the other parties (together with an explanation thereof and any appropriate supporting data or documentation) within thirty (30) days from receipt of the Closing Audit Report by the party asserting such disagreement. Any aspect of the Closing Audit Report not so objected to by any party shall be deemed final and binding on the parties for purposes of Section 1.5 hereof. If Sunar and Purchaser and the Secured Lenders shall not, within the next thirty (30) days, resolve each such item of disagreement, Sunar and Purchaser and the Secured Lenders shall immediately refer any unresolved items of disagreement to a sole arbitrator (the "Arbitrator") mutually selected by Sunar and Purchaser and the Secured Lenders. The Arbitrator shall be an accounting firm of recognized national standing which has no material professional relationship with either Sellers or Purchaser. The rules of arbitration shall be agreed to by the parties or, failing such agreement, shall be designated in accordance with the rules of the American Arbitration Association. Sunar and Purchaser and the Secured Lenders shall use their reasonable and best efforts to insure that determination of the items in dispute shall be made within thirty (30) days after such referral to the Arbitrator, and such determination shall be conclusive and binding on the parties hereto. The costs of such arbitration shall be paid by the party against whom the matter at issue is

resolved or, if more than one matter is at issue or the issues are resolved partially in favor of each party, pro rata in accordance with the dollar value of the issues resolved in relation to the respective positions of the parties on such issues.

1.7 Allocation of Cash Purchase Price. The Cash Purchase Price, as adjusted as provided for in Section 1.5 hereof, shall be allocated among the Assets as agreed to by the parties prior to the Closing, for U.S. federal, state and local tax reporting purposes (including, without limitation, on Treasury Form 8594), which allocation shall be in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), provided that no more than $70,000 shall be allocated to the agreements set forth in Article VI hereof.

1.8 Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at 9:00 a.m. on January 18, 1990 (the "Closing Date"), at the offices of Thompson, Hine and Flory, 1100 National City Bank Building, 629 Euclid Avenue, Cleveland, Ohio, or such other time, date and place as to which the parties may agree in writing, provided that all conditions to the Closing shall have been satisfied or waived in writing. On the Closing Date, Sellers shall execute and deliver to Purchaser appropriate instruments of assignment, transfer and conveyance and such other documents as Purchaser or its counsel shall reasonably request to convey and vest in Purchaser all right, title and interest in and to the Assets and to carry out the transactions provided for herein, together with such other instruments and documents as may be specified in this Agreement. In exchange therefor, Purchaser shall deliver to Sellers, or such other parties as the U.S. Bankruptcy Court shall direct, the sum payable at the Closing in accordance with the provisions of Section 1.4(b), by wire transfer or any other means acceptable to Sellers. Purchaser shall also deliver to Sellers, or such other parties as the U.S. Bankruptcy Court shall direct, such instruments of assumption and such other documents as Sellers or their counsel shall reasonably request in order to carry out the transactions provided for herein or as may be specified in this Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers jointly and severally hereby make the following representations and warranties, each of which is true and correct on the date hereof and will be true and correct on the Closing Date and each of which shall survive the Closing Date and the transactions contemplated hereby to the extent provided in Section 10.12 hereof.

2.1 Corporate Existence and Qualification. Each of the Sellers is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio. Each of the Sellers has the full corporate power and authority to own and use its respective properties and to transact the business in which it is engaged, holds all franchises, licenses and permits necessary and required therefor, is duly licensed or qualified to do business as a foreign corporation and is in good standing in the states, countries or other jurisdictions respectively listed on Schedule 2.1 hereto, which constitute all of the jurisdictions in which either Seller is required to be registered, licensed or qualified to do business by virtue of the conduct of the Wall Business, except to the extent the failure to be so registered, licensed or qualified would not have a material, adverse effect on the Assets or the Wall Business.

2.2 Approval of Agreement. The execution and delivery of this Agreement, the Supply Agreement (as such term is hereinafter defined) and the Plant Purchase Agreement (as such term is hereinafter defined) and the performance of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary corporate action of Sellers and by the U.S. Bankruptcy Court pursuant to an order in form and substance satisfactory to the Purchaser (the "Approval Order"). Certified copies of the resolutions and the Approval Order are attached hereto as Schedule 2.2 and such resolutions and the Approval Order have not been altered, amended or revoked. Sellers have full power and authority to enter into the agreements referred to in the first sentence of this Section 2.2 and to perform their respective obligations hereunder and thereunder.

2.3 Ownership of Sunar. As of the Closing Date, Hauserman will be the sole owner, of record and beneficially, of all the shares of capital stock of Sunar, [redacted]

2.4 Financial Statements. Attached hereto as Schedule 2.4 are statements of revenues and gross margins for each of the four fiscal years ended June 30, 1989, with respect to the Wall Business (the "Wall Business Statements"). The Wall Business Statements have been prepared in accordance with generally accepted accounting principles, consistently applied, are correct and accurate and present fairly the revenues and gross margins of the Wall Business for the periods to which they refer.

2.5 Events Subsequent. Since September 30, 1989, except as set forth on Schedule 2.5 hereto, there has been no (a) change in the financial condition, operating results, business prospects or employee or customer relations of the Wall Business other than changes in the ordinary course of business, none of which have been adverse, or (b) damage, destruction or loss, whether covered by insurance or not, affecting the Assets or the Wall Business.

2.6 Inventories. The inventory of the Wall Business has been properly valued at the lower of cost (first-in, first-out) or market in accordance with generally accepted accounting principles consistently applied. Subject to any applicable reserves and except for obsolete items which have been fully written off, the inventory of the Wall Business consists of items of a quality and quantity currently usable and saleable in the ordinary course of business without markdown or discount. Sellers do not hold any materials on consignment or have title to any materials in the possession of others.

2.7 Location of Assets. Except as set forth in Schedule 2.7 hereto, all of the tangible Assets are physically located in or about the Plant.

2.8 Undisclosed Liabilities. At the Closing Date, in connection with the Wall Business, there will not be any liabilities or obligations of Sellers whatsoever for which Purchaser may be or become liable at or after the Closing, whether accrued, absolute, contingent or otherwise, and there will not be any basis for any material claim against Purchaser in connection with the Wall Business for any liability or obligation of Sellers, except (a) those which will not, or could not, have an adverse effect upon any of the Assets or the condition, financial or otherwise, of the Wall Business, or (b) the Assumed Obligations.

2.9 Taxes.

(a) Except as set forth in Schedule 2.9 hereto, there are no actions or proceedings currently pending or threatened against any Seller by any governmental authority for the assessment or collection of Taxes, and no claim for the assessment or collection of Taxes has been asserted against any Seller. Except as otherwise set forth in Schedule 2.9, there are no agreements or applications by any Seller for an extension of time for the assessment or payment of any Taxes.

(b) The terms "Tax" and "Taxes" shall mean and include any and all United States, state, local, foreign or other taxes, assessments, social security obligations, deficiencies, fees or other governmental charges, whether or not collected by withholding, including, without limitation, contributions or other amounts determined with respect to compensation paid to directors, officers, employees or independent contractors, from time to time imposed by or required to be paid to any governmental authority (including penalties and additions to tax thereon, penalties for failure to file a return or report, and interest on any of the foregoing).

(c) No Seller is a "foreign person" within the meaning of Section 1445 of the Code.

2.10 Contracts. Each of the Contracts is valid and in full force and effect and neither Seller nor, to Sellers' best knowledge, any other party to any such Contract is in default with respect to any term or condition thereof, nor has any event occurred which, through the passage of time or the giving of notice, or both, would constitute a default thereunder or would cause the acceleration of any obligation of any party thereto. Except as specifically set forth on Schedule 2.10 hereto, each of the Contracts may be terminated without penalty. Except to the extent Section 1.3(b) is applicable, each Contract will be duly assigned to Purchaser on the Closing Date, and upon such assignment Purchaser will acquire all of Sellers' right, title and interest in and to such Contract and will be substituted for the respective Sellers under the terms of such Contract. Except as set forth on Schedule 1.3(a)(i), Sellers have delivered to Purchaser true, correct and complete copies of the Contracts.

2.11 Personal Property Owned. Except as set forth in Schedule 2.11 (a) hereto, at the Closing Date Sellers will have good and marketable title to all personal property included in the Assets and such property is, or as at the Closing Date will be, free and clear of all mortgages, options, liens, charges, security interests (collectively, "Liens"), or leases, covenants, conditions, agreements, claims, restrictions and other encumbrances of every kind and there exists no restriction on the use or transfer of such property. Schedule 2.11(b) sets forth all tangible assets included in the Assets having a book value, before depreciation, of at least $1,000, indicating which Seller is the owner thereof.

2.12 Personal Property - Leased from Sellers. Set forth on Schedule 2.12 hereto is a description of each lease included in the Assets under which either Seller is the lessor of any personal property. Sellers have delivered to Purchaser a true, correct and complete copy of each written lease identified on Schedule 2.12. To Sellers' best knowledge the property described in such leases is presently used by the lessee under the terms of such leases. All rentals or other payments due under such leases have been paid, Sellers are not in default thereunder and, to Sellers' best knowledge, there exist no defaults by the other parties thereto under the terms of such leases and no event has occurred which, upon passage of time or the giving of notice, or both, would result in any event of default thereunder or prevent Sellers from exercising and obtaining the benefits of any rights contained therein. No consent is necessary for the assignment or conveyance of such leases to Purchaser and upon the Closing Purchaser will have all right, title and interest of the lessor under the terms of such leases, free of all liens, claims or encumbrances.

2.13 Real and Personal Property - Leased to Sellers. Set forth on Schedule 2.13(a) hereto is a description of each lease under which either Seller is the lessee of any real property

utilized in connection with the Wall Business, and set forth on Schedule 2.13(b) hereto is a description of each lease included in the Assumed Obligations under which either Seller is the lessee of any personal property utilized in connection with the Wall Business. Sellers have delivered to Purchaser a true, correct and complete copy of each lease identified on Schedules 2.13(a) (other than leases with respect to Sellers' sales offices, as to which Sellers have delivered to Purchaser a true and correct summary thereof) and 2.13(b). The premises or property described in such leases are presently occupied or used by the Seller indicated therein as lessee under the terms of such leases. Except as set forth on Schedule 2.13(b), all rentals due under such personal property leases have been paid, Sellers are not in default thereunder and to Sellers' best knowledge there exist no defaults by the other parties thereto under the terms of such leases and no event has occurred which, upon passage of time or the giving of notice, or both, would result in any event of default or prevent the respective Sellers from exercising and obtaining the benefits of any rights or options contained therein. Except as set forth on Schedule 2.13(b), the respective Sellers have all right, title and interest of the lessee under the terms of each such personal property lease, free of all liens, claims or encumbrances, and all such leases are valid and in full force and effect. Except as set forth on Schedule 2.13(b), no consent is necessary for the assignment to Purchaser of any such personal property leases. Except as provided in Section 1.3(b) hereof, upon the Closing Purchaser will have all right, title and interest of the lessee under the terms of such personal property leases, free of all liens, claims or encumbrances. Other than the bankruptcy proceeding of Sellers referred to on Schedule 2.5 hereof, to Sellers' best knowledge, there is no default or basis for acceleration or termination under, nor has any event occurred nor does any condition exist which, with the passage of time or the giving of notice, or both, would constitute a default or basis for acceleration under, any underlying lease, agreement, mortgage or deed of trust. To Sellers' best knowledge, there will be no default or basis for acceleration under any such underlying lease, agreement, mortgage or deed of trust as a result of the execution hereof or the transactions provided for in this Agreement.

2.14 Patents and Trademarks. Set forth on Schedule 2.14 hereto is a listing of all patents, applications for patents, invention disclosures, trademark registrations, applications for trademark registrations, unregistered trademarks, tradenames, copyright registrations, applications for copyright registrations and license agreements with respect to the foregoing used, owned or granted by or to either Seller, in connection with the Wall Business. Except as set forth on Schedule 2.14, (a) all items listed thereon are valid and subsisting, (b) at the Closing Date, good and marketable title to all such items together with all common law rights to the subject matter thereof will be held by the respective Sellers, free and

clear of all options, adverse claims, defenses, liens, charges, security interests, covenants, conditions, agreements, restrictions and other encumbrances, (c) there exist no restrictions on the use or transfer of any such item, (d) there are no interferences, challenges, proceedings or infringement suits pending or threatened with respect to any such item, and (e) neither Seller has granted a license to any other party with respect to any such item. Neither Seller has received notice that Sellers in the conduct of the Wall Business are infringing upon the right of any other person under any patent, trademark or other intellectual property right (including rights described in Section 2.15) and, to Sellers' best knowledge, no other person is infringing upon any patent, trademark or intellectual property right (including rights described in Section 2.15) included in the Assets.

2.15 Other Intangible or Intellectual Property. At the Closing Date, Sellers will have valid title to all intangible or intellectual property used by Sellers in the Wall Business (including all inventions, discoveries, processes, formulae, trade secrets, unregistered copyrights, proprietary technical information and know-how, to the extent such property is not covered by Section 2.14 hereof), and, to Sellers' best knowledge, such property is free and clear. of any claim, defense or right of any other person or entity.

2.16 Necessary Property and Transfer of Assets; Consents. Except as set forth on Schedule 2.16(a), other than the Excluded Assets and the Rejected Items the Assets constitute all of Sellers' property and property rights now used for the conduct of the Wall Business in the manner and to the extent presently conducted or (except for any property contemplated to be purchased with amounts allocated for future capital investment in such budget which has not been purchased through the date hereof) contemplated in the budget for the Wall Business for the fiscal year ending June 30, 1990 prepared by Sellers and attached hereto as Schedule 2.24. Schedule 1.1(b) sets forth, without limitation, all tangible personal property used by Sellers in connection with the Wall Business, which is not located at the Plant. Attached hereto as Schedule 2.16(b) is a signed statement from all lenders of Sellers, the consent of which will be required to effect the transactions contemplated hereby and by the Exhibits hereto, setting forth their consent to such transactions, in a form satisfactory to Purchaser. Except as set forth on Schedules 2.13(a), 2.13(b), 2.16(b), 2.16(c) or 2.20 hereto, no consent is necessary to, and there exist no restrictions on, the transfer of any of the Assets or the assumption of the Assumed Obligations by Purchaser. There exists no condition, restriction or reservation affecting the title to or utility of the Assets which would prevent Purchaser from occupying or utilizing or enforcing its rights under the Assets, or any part thereof, to the same full extent that Sellers could

continue to do so if the sale and transfer contemplated hereby did not take place.

2.17 Use and Condition of Property. All of the Assets are in good operating condition and repair, usual wear and tear excepted, as required for their use in the Wall Business as presently conducted, and conform to all applicable laws, and no notice of any violation of any law, statute, ordinance, or regulation relating to any of such property or assets has been received by Sellers except such as have been fully complied with. All improvements located on, and the use presently being made of, all real property leased pursuant to the leases included in the Contracts comply with all applicable zoning and building code ordinances currently in effect and all applicable fire, environmental, occupational safety and health and similar standards established by law or regulation and currently in effect, and assuming (i) Purchaser receives exemptions or variances therefrom to the same extent as currently granted to Sellers and (ii) Purchaser obtains all permits or licenses currently held by Sellers which are non-transferable by Sellers to Purchaser, the same use thereof by Purchaser will not result in any violation of any such code, ordinance, or standard. Sellers have not received notice of any proposed, pending or threatened change in any such code, ordinance or standard which would materially adversely affect the Wall Business or the use of the Assets. Sellers have not received notice of any proposed, pending or threatened condemnation proceeding or similar action affecting the Assets or with respect to any streets or public amenities appurtenant thereto or in the vicinity thereof which would materially adversely affect the Wall Business or the use of the Assets.

2.18 Licenses and Permits. Set forth on Schedule 2.18 hereto is a description of each license or permit required for the conduct of the Wall Business (including all exemptions and variances referred to in Section 2.17) together with the name of the government agency or entity issuing such license or permit. Such licenses and permits are valid and in full force and effect. Except as noted on Schedule 2.18, such licenses and permits are freely transferable by Sellers, and upon Closing Purchaser will have all right, title and interest of the holder thereof.

2.19 Contracts and Commitments. Except as set forth in Schedule 2.19 hereto, as to Sellers, primarily in connection with the Wall Business, there is not outstanding:

(a) Any single contract or purchase order providing for an expenditure by either Seller in excess of $5,000, contracts or purchase orders with the same or affiliated vendor(s) providing for an expenditure by either Seller in excess of $5,000, or contracts or purchase orders in the aggregate providing for expenditures by Sellers in excess of $10,000, for

the purchase of any real property, machinery, equipment or other items which are in the nature of capital investment.

(b) Any other single contract or purchase order providing for an expenditure by either Seller in excess of $5,000, other contracts or purchase orders with the same or affiliated vendor(s) providing for an expenditure by either Seller in excess of $5,000, or contracts or purchase orders in the aggregate providing for expenditures by either Seller in excess of $5,000, for the purchase of raw materials, supplies, component parts or any other items or services.

(c) Any contract, bid or offer to sell products or to provide services to third parties (i) which contains terms or conditions the respective Sellers cannot reasonably expect to satisfy or fulfill in their entirety, or (ii) which involves more than $50,000 or which, together with all other contracts, bids or offers to or with the same party or any affiliated parties involves more than $50,000.

(d) Any purchase commitment for materials, supplies, component parts or other items or services in excess of the normal, ordinary, usual and current requirements of the Wall Business or at a price in excess of the current reasonable market price.

(e) Any revocable or irrevocable power of attorney granted to any person, firm or corporation for any purpose whatsoever.

(f) Any conditional sales agreement or other agreement of similar type.

(g) Any arrangement or other agreement which involves (i) a sharing of profits or (ii) any joint venture, partnership or similar arrangement.

(h) Any sales agency, sales representative, distributorship or franchise agreement, oral or written.

(i) Any contract containing covenants limiting the freedom of either Seller to compete in any line of business or with any person or in any area.

(j) Any material contract or commitment not made in the ordinary course of business.

(k) Any other material contract or commitment which is not cancellable without penalty on thirty (30) days notice or less and which is not specifically described on any other Schedule hereto.

2.20 Conflict with Contracts. Except as set forth on Schedule 2.20, neither the execution of this Agreement nor the Closing hereunder nor the consummation of the other transactions contemplated hereby do or will constitute or result in, a default under or a violation of any commitment, agreement, indenture or instrument to which either of Sellers is a party or by which either of them or any of the Assets or the Wall Business is bound or would cause the acceleration of any obligation of any party thereto or the creation of a lien or encumbrance upon any Asset or the Wall Business.

2.21 No Breach of Law or Governing Document. Except as set forth on Schedule 2.21 hereto, to Sellers' best knowledge, Sellers are not in default under or in violation of any applicable statute, law, ordinance, rule, or regulation of any governmental body in connection with the Wall Business. Sellers are not in default under or in violation of any applicable decree or order of any governmental body or the provisions of any franchise or license, or in default under or in violation of any provision of their respective Articles of Incorporation or Codes of Regulations or similar instruments. Except for the possible application of the Worker Adjustment and Retraining Notification Act, neither the execution of this Agreement nor the Closing do or will constitute or result in any such default, breach or violation. Except as set forth on Schedule 2.21 hereto, no governmental filings, permits or consents are necessary for Sellers to effect the transactions contemplated hereby.

2.22 Litigation and Arbitration. Except as set forth on Schedule 2.22(a) hereto, there is no suit, claim, action or proceeding now pending, threatened against either Seller or, to Sellers' best knowledge, to any other person, before any court, grand jury, administrative or regulatory body, governmental agency, arbitration or mediation panel or similar body, nor, to Sellers' best knowledge, are there any grounds therefor, to which either Seller is a party or which may result in any judgment, order, decree, liability, award or other determination which will, or could, have any material adverse effect upon any Asset or upon the condition, financial or otherwise, of the Wall Business. Set forth on Schedule 2.22(b) is a complete list of all such suits, claims, actions or proceedings which have arisen during the three years preceding the date of this Agreement. In connection with such suits, claims, actions or proceedings, no such judgment, order, decree or award has been entered against either Seller. To the best of Sellers' knowledge, there is no claim, action or proceeding now pending or threatened before any court, grand jury, administrative or regulatory body, governmental agency, arbitration or mediation panel or similar body which will, or could, prevent or obstruct the consummation of the transactions contemplated by this Agreement.

2.23 Employees and Consultants. Set forth on Schedule 2.23 hereto is a complete list of

(a) all employees of each Seller engaged in the Wall Business; and

(b) all consultants to Sellers in connection with the Wall Business;

together, in each case, with a complete and correct description of all commissions which were received by each such person in 1988, all stock options and auto leases currently held by each such person and the monthly base salary which each such person is currently entitled to receive. None of the officers and employees listed on Schedule 2.23 has informed either Seller of any intention to leave the employ of either Seller, by reason of the transactions contemplated hereby or otherwise.

2.24 Budget and Analytical Accounts. The budget for the fiscal year ending June 30, 1990 for the Wall Business attached hereto as Schedule 2.24 was prepared by Sellers in good faith on a reasonable basis, consistent with past practice and experience.

2.25 Outside Financial Interests. Except as identified on Schedule 2.25 hereto, no officer or director of either Seller has any direct or indirect financial interest in any competitor with or supplier or customer of the Wall Business; provided, however, that for this purpose ownership of corporate securities having no more than 2% of the outstanding voting power of any competitor, supplier or customer which securities are listed on any national securities exchange or authorized for quotation on the Automated Quotations System of the National Association of Securities Dealers, Inc. shall not be deemed to be such a financial interest provided such person has no other connection or relationship with such competitor, supplier or customer.

2.26 Payments, Compensation and Perquisites of Agents and Employees. All payments to agents, consultants and others made by Sellers, in connection with the Wall Business, have been in payment of bona fide fees and commissions and not as bribes or illegal or improper payments. Sellers, in connection with the Wall Business, have properly and accurately reflected on their respective books and records all compensation paid to and perquisites provided to or on behalf of their respective agents and employees. Such compensation and perquisites have been properly and accurately disclosed in the respective financial statements, proxy statements and other public or private reports, records or filings of Sellers, to the extent required by law.

2.27 Labor Agreements, Employee Benefit Plans and Employment Agreements. Except as set forth on Schedule 2.27 hereto, neither Seller is a party to (a) any union collective bargaining, works council, or similar agreement or arrangement covering any employee of Sellers employed primarily in connection with the Wall Business ("Employee") or any former Employees, (b) any qualified or non-qualified pension, retirement, profit-sharing,

retiree medical, deferred compensation, bonus, stock option, stock purchase, retainer, consulting, health, welfare or incentive plan or agreement whether legally binding or not, covering any Employee or any former Employee, (c) any plan or policy providing for employee benefits, including but not limited to vacation, severance, disability, sick leave, medical, hospitalization, life and other insurance plans, and related benefits, covering any Employee or former Employee or (d) any employment agreement covering any Employee or former Employee. True, correct and complete copies of all documents creating or evidencing any agreement, arrangement, plan or policy listed on Schedule 2.27 and any other document in connection therewith which has been reasonably requested by Purchaser have been delivered to Purchaser. There are no disputes, negotiations, demands, grievances or proposals which are pending, threatened to Sellers or, to Sellers' best knowledge, threatened to any other person, or which have been made to Sellers or to Sellers' best knowledge, to any other person which concern matters now covered, or that would be covered, by the type of agreements, arrangements, plans or policies listed in this Section 2.27 (collectively, the "Plans").

2.28 ERISA. No Assets are subject to a lien under Section 4068 of the Employee Retirement Income Security Act of 1974 ("ERISA") or Section 412 of the Code, or any other provision of ERISA or the Code, and there is no basis for the assertion of any such lien with respect to the Assets subsequent to the consummation of the transactions contemplated by this Agreement.

2.29 Overtime, Back Wages, Vacation and Minimum Wages. No Employee has any claim against the Assets (whether under U.S., federal, state or local law, foreign law, any employment agreement, or otherwise) on account of or for (a) overtime pay, other than overtime pay for the current payroll period, (b) wages or salary (excluding current bonus accruals and amounts accruing under pension and profit-sharing plans) for any period other than the current payroll period, (c) vacation, time off or pay in lieu of vacation or time off, other than that earned in respect of the current fiscal year, or (d) any violation of any statute, ordinance or regulation relating to minimum wages or maximum hours of work.

2.30 Discrimination and Occupational Safety and Health. Except as set forth in Schedule 2.30, no person or party (including, but not limited to, governmental agencies of any kind) has any claim, or basis for any action or proceeding, against Sellers in connection with the Wall Business arising out of any statute, ordinance or regulation relating to discrimination in employment or employment practices or occupational safety and health standards. Sellers have not received any notice from any U.S. federal, state, local or foreign governmental entity alleging a violation in connection

with the Wall Business of occupational safety or health standards which has not been fully rectified or complied with.

2.31 Alien Employment Eligibility. With respect to each Employee, (a) Sellers hired such person in compliance with the Immigration Reform and Control Act of 1986 and the rules and regulations thereunder ("IRCA") and (b) Sellers have complied with all record keeping and other regulatory requirements under IRCA.

2.32 Labor Disputes; Unfair Labor Practices. Except as set forth on Schedule 2.32 hereto, there is neither pending, nor threatened to Sellers, nor, to Sellers' best knowledge, threatened to any other person any labor dispute, strike or work stoppage which affects or which may affect the Wall Business. There is not now pending, threatened to Sellers or, to Sellers' best knowledge, threatened to any other person, any charge or complaint against either Seller by the National Labor Relations Board, any state or local labor or employment agency or any representative thereof in connection with the Wall Business, and, except as a result of actions of Purchaser not required to be taken pursuant to this Agreement, the execution and performance of this Agreement and the consummation of the Closing hereunder will not result in any such charge or complaint.

2.33 Insurance Policies. Set forth on Schedule 2.33 hereto is a list of all insurance policies and bonds in force covering or relating to the Assets and the Wall Business.

2.34 Guarantees. Except as set forth on Schedule 2.34 hereto, from and after the Closing neither Seller will be guarantor, indemnitor, surety or accommodation party or otherwise liable for any indebtedness of any other person, firm or corporation in connection with the Wall Business.

2.35 Product Warranties. Set forth on Schedule 2.35 hereto are the standard forms of product warranties and guarantees used in the Wall Business and copies of all other material product warranties and guarantees granted or issued by Sellers in connection with the Wall Business. Except as specifically described on Schedules 2.22, 2.35 or 2.36 no product warranty or similar claims have been made against Sellers within the past five years. Sellers have received no notice that any person or party (including, but not limited to, governmental agencies of any kind) has any claim, or basis for any action or proceeding, against Sellers under any U.S. federal, state or local law or any foreign law applicable to product warranties or guarantees used in the Wall Business.

2.36 Product Liability Claims. In connection with the Wall Business, except as described on Schedule 2.36, within the past five years Sellers have not received notice or information as to any claim or allegation of personal injury, death, or property or

economic damages, any claim for punitive or exemplary damages, any claim for contribution or indemnification, or any claim for injunctive relief in connection with any product manufactured, sold or distributed by or in connection with any service provided by Sellers.

2.37 Product Safety Authorities. Except as set forth on Schedule 2.37 hereto, within the past five years no person has been required to file any notification or other report with or provide information to any governmental agency or product safety standards group concerning actual or potential defects or hazards with respect to any product manufactured, sold or distributed in connection with the Wall Business and there exist no grounds for the recall of any such product.

2.38 Environmental Matters. To Sellers' best knowledge, attached as Schedule 2.38(a) is a description of all investigations, inquiries or other proceedings now pending or threatened by any U.S. federal, state or local governmental entity or any foreign governmental entity with respect to Sellers, in connection with the Wall Business and in connection with the actual or alleged failure to comply with any requirement of any law, regulation or ordinance relating to soil, air or water quality, waste management, hazardous or toxic substances, or the protection of health or the environment. Attached as Schedule 2.38(b) is a list of all waste disposal, treatment and storage sites used in connection with the Wall Business, including the address of each such site and a description of the type and amount of waste disposed of, treated or stored at each such site. Attached as Schedule 2.38(c) is a list containing the name and address of each person, firm, corporation or other entity engaged by Sellers in the handling, transportation or disposal of waste materials in connection with the Wall Business and a description of the type and amount of such waste. Sellers have maintained all documents and records and made all filings required by law, regulation or ordinance relating to soil, air or water quality, waste management, hazardous or toxic substances, or the protection of health or the environment in connection with the Wall Business. The soil, air and water emission, discharge and waste disposal practices used in the Wall Business fully comply with, and have at all times fully complied with, all applicable laws, ordinances and regulations in all respects. Other than the real property with respect to which Sellers are lessees or the Plant and the Excluded Assets, none of the properties included in the Assets, covered by any Assumed Obligation, or otherwise used in connection with the Wall Business is contaminated with any hazardous waste or substance. To Sellers' best knowledge, none of the real property with respect to which Sellers are lessees is contaminated with any hazardous waste or substance.

2.39 Broker's Fees. Sellers have not retained any broker, finder or agent or agreed to pay any brokerage fees, finder's

fees or commissions with respect to the transactions contemplated by this Agreement.

2.40 Foreign Assets. Except as set forth on Schedule 2.7, neither Seller, in connection with the Wall Business, has any interest in any real property or tangible or intangible personal property located outside of the United States.

2.41 Foreign Operations and Export Control. Sellers have conducted the Wall Business:

(a) Pursuant to valid qualifications to do business in all jurisdictions outside the United States where such qualification is required by local law;

(b) In compliance with all applicable foreign laws, including without limitation laws relating to foreign investment, foreign exchange control, immigration, employment and taxation;

(c) Without notice of violation of and in compliance with all relevant anti-boycott legislation, including without limitation the Tax Reform Act of 1976, as amended, the Export Administration Act of 1979, as amended, and the Export Administration Amendments Act of 1985, and the regulations thereunder, including all reporting requirements;

(d) Without violation of and pursuant to any required export licenses granted under the Export Administration Act of 1979, as amended, and the Export Administration Amendments Acts of 1981 and 1985 and the regulations thereunder, which licenses are described on Schedule 2.41; and

(e) Without violation of the Foreign Corrupt Practices Act of 1977.

2.42 Truthfulness. No representation or warranty of information or certificate of Sellers herein and no statement, information or certificate furnished or to be furnished by or on behalf of Sellers or their counsel, accountants or other authorized agents pursuant hereto or, to the best of Sellers' knowledge, in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading. No director or officer of Sellers has made a good faith determination that there is any fact or development, actual or prospective, other than general economic conditions, which adversely affects or in the future might reasonably be expected adversely to affect the Wall Business or the Assets taken as a whole in any material respect which has not been set forth or described in this Agreement or in the Schedules hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the following representations and warranties, each of which is true and correct on the date hereof and will be true and correct on the Closing Date and each of which shall survive the Closing Date and the transactions contemplated hereby to the extent provided in Section 10.1 hereof.

3.1 Corporate Existence of Purchaser. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business as a foreign corporation in the State of Ohio. Purchaser has full corporate power and authority to own and use its properties and to transact the business in which it is engaged.

3.2 Approval of Agreement. The execution and delivery of this Agreement has been duly authorized and approved by all necessary corporate action of Purchaser. Certified copies of the resolutions giving such authorization and approval are attached hereto as Schedule 3.2 and such authorization and approval has not been altered, amended or revoked. Pursuant to such authorization and approval, Purchaser has full power and authority to enter into this Agreement and to perform its obligations hereunder.

3.3 No Breach of Governing Instruments or Indentures. The execution of this Agreement and the consummation of the transactions contemplated hereby has not and will not constitute or result in the breach of any of the provisions of, or constitute a default under, the Certificate of Incorporation or By-laws of Purchaser, or any material indenture, evidence of indebtedness or other commitment to which Purchaser is a party or by which it is bound, which breach or default would have a material adverse effect on Purchaser.

3.4 Funds Available for Purchase. Purchaser has cash or cash equivalents or definitive commitments therefor available to meet its obligation to pay to Sellers the Cash Purchase Price as provided herein.

3.5 Broker's Fees. Purchaser has not retained any broker, finder or agent or agreed to pay any brokerage fees, finder's fees or commissions with respect to the transactions contemplated by this Agreement.

ARTICLE IV

COVENANTS OF SELLERS

Sellers covenant and agree with Purchaser that, from and after the date of this Agreement and until the Closing Date, Sellers will conduct the Wall Business subject to, and will otherwise act in accordance with, the following provisions and limitations:

4.1 Operation of the Business. Without the prior written consent of Purchaser which, with respect to Sections 4.1(e) and 4.1(f) shall not be unreasonably withheld, neither Seller will, in connection with the Wall Business:

(a) Grant any increase in the rate of pay of any of its employees, grant any increase in the salaries of any officer, employee or agent, enter into or increase the benefits provided under any bonus, profit-sharing, incentive compensation, pension, retirement, medical, hospitalization, life insurance or other insurance plan or plans, or other contracts or commitments, or in any other way increase in any amount the benefits or compensation of any such officer, employee or agent, except as required by law and except for ordinary merit increases not unusual in character or amount made in the ordinary course of business to employees who are not officers, directors or stockholders.

(b) Enter into any employment contract or collective bargaining agreement.

(c) Enter into any contract or commitment or engage in any transaction which is not in the usual and ordinary course of business or which is inconsistent with past practices.

(d) Sell or dispose of or encumber any assets other than inventory in the ordinary course of business.

(e) Make, or enter into any contract for, any capital expenditure or enter into any lease of capital equipment or real estate involving more than $5,000.

(f) Enter into any contract, whether for the purchase or sale of inventory, supplies, other products or services or otherwise, and whether in the ordinary course of business or otherwise, involving more than $5,000 or enter into any series of such contracts with one party or affiliated group of parties involving more than $5,000 in the aggregate.

(g) Make or institute any unusual or novel method of transacting business or change any accounting procedures or practices or its financial structure.

4.2 Preservation of Business. Subject to the restrictions set forth in Section 4.1, Sellers shall carry on the Wall Business diligently and substantially in the same manner as heretofore conducted and shall use their best efforts to keep such business organizations intact, including their present employees and present relationships with suppliers and customers and others having business relations with them. Sellers shall at all times maintain in inventory quantities of raw materials, component parts, work-in-process, finished goods and other supplies and materials sufficient to allow the Wall Business to continue to be operated after the Closing Date in the same manner as conducted on the date of this Agreement, free from any shortage of such items.

4.3 Insurance and Maintenance of Property. Sellers shall cause all the Assets and all property owned or leased pursuant to the Contracts to continue to be insured to the same extent and in the same amounts as on the date of this Agreement and shall operate, maintain and repair all of such property in a careful, prudent and efficient manner.

4.4 Full Access. Representatives of Purchaser shall have full access at all reasonable times to all premises, properties, books, records, contracts, tax records, financial statements and documents of Sellers related to the Wall Business and Sellers shall furnish to Purchaser such reasonable use of office space and secretarial, telephone and photocopying services at the Plant in connection therewith and any information as Purchaser may from time to time request. Such examination and investigation by Purchaser shall not affect the warranties and representations of Sellers contained in this Agreement.

4.5 Books, Records and Financial Statements. Sellers shall maintain their respective books and financial records on a basis consistent with the practices and accounting principles reflected on the Sellers' books on the date hereof. Such books and financial records shall fairly and accurately reflect the operations of the Wall Business.

4.6 Other Governmental Filings. Sellers will cooperate with Purchaser in making, as soon as practicable following the execution hereof, all filings required by any governmental agency in connection with the transactions contemplated by this Agreement. All information provided by Sellers in connection with such filings will be true, accurate and complete and will comply with all applicable laws and regulations.

4.7 Inconsistent Activities. Unless and until this Agreement has been terminated pursuant to Section 10.2, none of the Sellers or any officer, director, employee or agent of either of them will, without the prior written consent of Purchaser, solicit any offers for, negotiate with or provide any information to, or enter into any agreement concerning the sale of, any

Assets, the Wall Business, the Plant or any Rejected Items (other than sales of products or disposal of immaterial amounts of Assets in the ordinary course of business, in accordance with the provisions of this Article IV).

4.8 Publicity. Without the prior written consent of the other parties hereto, no party shall issue any press release or make any public announcement with respect to the transactions contemplated hereby, unless in the opinion of counsel to such party acceptable to the other parties such disclosure is required by law, in which event the parties shall to the extent time reasonably permits consult with each other concerning any such disclosure. In any event, each party shall submit a copy of any proposed press statement, or other public document, in relation to this transaction to the other party prior to publication.

4.9 Bankruptcy Proceedings. Sellers shall comply with all requirements imposed by the U.S. Bankruptcy Court in Cases Nos. B89-4100 and B89-4101 and shall promptly inform Purchaser of any development in such cases material to this Agreement or the transactions contemplated herein.

4.10 Environmental Assessment. Sellers shall permit Purchaser and the environmental consultants retained by Purchaser full access to the Plant for the purpose of conducting the Environmental Audit referred to in Section 4.2 of the Plant Purchase Agreement referred to in Section 5.3 hereof.

ARTICLE V

ADDITIONAL COVENANTS

5.1 Employees.

(a) Employment. Pending the Closing, Sellers shall use their best efforts to retain the services of the Employees and encourage them to continue their employment with Purchaser after the Closing or the closing under the Plant Purchase Agreement. Purchaser shall offer employment, on such terms and conditions as shall be determined by Purchaser in its sole discretion, to any Employees selected by Purchaser who are actively employed in the Wall Business on the Closing Date. Purchaser shall not be required to offer employment to any or all of such Employees. The employment by Purchaser of any Employee who accepts the terms of employment offered by Purchaser will commence on the Closing Date on such terms and conditions as shall have been determined by Purchaser in its sole discretion. Sellers agree in this regard to cooperate with Purchaser by permitting Purchaser throughout the period prior to the Closing Date to meet with the Employees at such reasonable times as shall be approved by a representative of Sellers and to distribute to such Employees such forms and other documents relating to employment by Purchaser after the Closing Date as Purchaser shall

reasonably request. Subject to the provisions of the Bankruptcy Code, Sellers shall pay the cost of any compensation, severance or other benefits which may be payable to such Employees to whom Purchaser does not offer employment or to such other persons as shall claim compensation, severance or other benefits in connection with the consummation of the transactions contemplated by this Agreement. Nothing in this Section 5.1(a) shall be deemed to require Purchaser to retain any of the Employees for any period of time or at any particular compensation rate or in any particular position.

(b) Worker Adjustment and Retraining Notification Act. Sellers represent that Schedule 5.1(b) lists each employee or former employee of Sellers at the Plant or at Sellers' facility at 5711 Grant Avenue, Cleveland, Ohio who has incurred an "employment loss" as defined in Section 693.3(f) of the regulations (the "Regulations") issued under the Worker Adjustment and Retraining Notification Act (20 CFR 639) (an "Employment Loss") during the 90-day period prior to the date of this Agreement. Sellers agree that they will not take any action which will cause an Employment Loss during the 90-day period subsequent to the Closing without the prior written consent of Purchaser, which consent may be withheld only if, in the reasonable judgment of Purchaser, such Employment Loss will result in a "mass layoff" (as defined in the Regulations) with respect to Employees. The immediately preceding sentence shall not apply if a mass layoff has occurred solely by virtue of Purchaser's decision not to offer employment to certain Employees upon the consummation of the transactions contemplated by this Agreement or the termination by Purchaser of Employees during the period ending 30 days after the Closing Date. In the case of a mass layoff at the Closing or during any period required to be aggregated with the Closing Date for purposes of determining whether a mass layoff has occurred, Sellers agree to indemnify Purchaser for any liability resulting from a failure to give notice to any employees or former employees of Sellers as required under the Regulations; provided, however, that if such mass layoff results from a lock-out of Employees or Plant shutdown by Purchaser, Purchaser shall bear any liability resulting from failure to give such notice. Payment of the amount of any such liability resulting from failure to give notice to any employees of Sellers other than Employees may be effected by deducting such amount from, at Purchaser's discretion, any of the Plant Purchase Price or the Plant Option Price as defined in the Plant Purchase Agreement or the Performance Fees or Final Performance Fee as such terms are defined in the Supply Agreement.

(c) Assumption of Benefit Plans. Purchaser will not assume any of the Plans, or any obligations thereunder, nor shall it become a successor employer with respect to any Plan, nor shall it be obligated by this Agreement to make any provision with respect to employee benefits after the Closing Date.

Purchaser shall not assume or have any obligation or liability to any Employee or other present or former employee of Sellers or to any dependent, survivor or beneficiary thereof, arising out of or relating to such person's employment with Sellers, the termination thereof, the consummation of the transactions contemplated by this Agreement, or the sponsorship by Sellers of any Plan. Subject to the provisions of the Bankruptcy Code, Sellers shall pay or otherwise discharge in full to each of the Employees all liability of the Sellers for accrued but unused vacation entitlement for the period prior to the Closing.

(d) Tax Deposits. Sellers shall make all required deposits for all withholding, social security and unemployment insurance taxes relating to the Employees who become employees of Purchaser through the day prior to the Closing Date and shall file timely quarterly and annual reports with respect to such taxes in accordance with applicable law whether such reports are due prior to or after the Closing Date.

(e) Labor Matters. Purchaser shall not be obligated to assume the collective bargaining agreements disclosed on Schedule 2.27. Sellers shall be solely responsible for any monetary and non-monetary claims, accrued benefits, obligations or liabilities arising under any collective bargaining agreement covering any of the Employees which are attributable to the period prior to the Closing Date, including, without limitation, those based on events which occur prior to the Closing Date.

(f) Continuation of Welfare Benefits. Notwithstanding the foregoing provisions of this Section, Sellers agree to continue to provide, to the extent permitted by the applicable insurance carrier, for the thirty (30) day period beginning on the Closing Date, any Employees or other persons hired by Purchaser within the thirty (30) day period beginning on the Closing Date (collectively referred to as "Post-Closing Employees") with such welfare benefits as are, as of the Closing Date, being provided to Sellers' employees immediately prior to the Closing Date through insurance programs or on a self-funded basis (pursuant to Sections 419 or 501(c)(9) of the Code or otherwise) (collectively, the "Welfare Benefits"), as to which Purchaser shall notify Sellers in writing on or prior to the Closing Date. Sellers shall notify Purchaser in writing promptly upon receipt of notice that any carrier will not permit such continuation coverage. Sellers agree to take all steps necessary to allow Purchaser to continue to participate in such plans for said thirty (30) day period and Purchaser agrees to reimburse Sellers for the actual cost of providing such Welfare Benefits within thirty (30) days after presentation of written monthly statements thereof to Purchaser. Sellers shall furnish Purchaser with such reasonable information as Purchaser shall request in order for Purchaser to verify Sellers' cost thereof. If Purchaser so requests, Sellers agree to use their best efforts to procure the consent of any insurance carrier, and to take such

other actions as may be necessary, in order to effectuate the assignment to Purchaser of any insurance policies or other contracts issued to Sellers in connection with the Welfare Benefits or other Plans as such Welfare Benefits or Plans relate to Post-Closing Employees. If any "qualifying event," as defined in Section 603 of ERISA, occurs during the period in which health coverage is provided pursuant to the provisions hereof, Sellers agree to offer the affected Post-Closing Employees and their dependents the opportunity to continue health coverage with the full cost thereof to be paid by the persons continuing such coverage, to the extent and for the time required by ERISA or the Code and any applicable state laws (on the same basis, to the same extent and for payment of the same amounts as employees and dependents of Sellers are provided the opportunity to continue such coverage), and to provide the Post-Closing Employees and their dependents with any notifications required thereunder. After the Closing Date, Sellers shall continue to process and pay, or cause to be processed and paid, in accordance with the terms of their plans providing health and medical benefits, all claims submitted by the Post-Closing Employees under such benefit plans for expenses incurred prior to the Closing Date or the later date to which such coverage is extended pursuant to the provisions hereof. Purchaser agrees to use its best efforts to obtain Welfare Benefits for the Post-Closing Employees as of the Closing Date and, upon such Welfare Benefits being obtained, Sellers' obligations under this Section 5.1(f) shall cease.

5.2 Prior Agreements; Releases.

(a) Concurrently herewith, the Sellers and Purchaser hereby ratify and confirm the License Agreement dated July 14, 1989 between Sellers and Purchaser.

(b) Sellers and Purchaser hereby terminate the Asset Purchase Agreement dated July 14, 1989 among Sellers and Purchaser, and Hauserman and Purchaser, acting on behalf of Clestra S.A., hereby terminate the Complementary Agreement dated January 19, 1989 between Hauserman and Clestra S.A., and grant each to the other and to each other's successors, assigns, parents, subsidiaries, affiliates, partners, directors, officers, employees, shareholders, attorneys, accountants, auditors and agents full and general releases for all claims of whatsoever nature arising under or in connection with such agreements, and Sellers agree to promptly withdraw with prejudice the Complaint filed by Sellers against Purchaser and Clestra S.A. in Case No. 1:89 CV 2096 in the U.S. District Court for the Northern District of Ohio, Eastern Division.

5.3 Additional Agreements.

Concurrently herewith, Purchaser and Sellers are entering into a Plant Purchase Agreement, in the form of Exhibit

A hereto (the "Plant Purchase Agreement"). At the Closing, Purchaser and Sunar shall enter into the following Agreements:

(a) A Supply Agreement, in the form of Exhibit B hereto (the "Supply Agreement").

(b) A Data Processing Services Agreement, in the form of Exhibit C hereto (the "Data Processing Agreement").

(c) An Office Lease, in the form of Exhibit D hereto, with regard to the portion of the office building of Sellers located at 5711 Grant Avenue, Cleveland, Ohio described therein (the "Office Lease").

5.4 Audit of Wall Business Financial Statements. Sellers shall permit Purchaser or its agents, at Purchaser's expense, to conduct an audit of the Wall Business financial statements as of June 30, 1989 or such other date as Purchaser may determine. The fact that such audit shall not be completed on or before the Closing Date shall not be a condition to the obligation of Purchaser to consummate the transactions provided for in this Agreement.

5.5 Other Governmental Filings. Purchaser will cooperate with Sellers in making, as soon as practicable following the execution hereof, all filings required by any governmental agency in connection with the transactions contemplated by this Agreement. All information provided by Purchaser in connection with such filings will be true, accurate and complete and will comply with all applicable laws and regulations.

5.6 Cooperation. The parties shall not obstruct the satisfaction of any of the conditions to the consummation of the transactions contemplated by this Agreement.

5.7 Access to Purchaser Records. Purchaser shall permit Sellers reasonable access to Purchaser's books and records, at no cost to Purchaser, during regular business hours during the three-year period immediately following the Closing Date to the extent Sellers reasonably require such access in connection with the preparation or audit of Sellers' tax returns.

5.8 Transfer of Automobile Leases. Sellers agree to use their reasonable efforts to assist Purchaser in obtaining a master lease from Wheels, Inc. with respect to the automobiles listed on Schedule 5.8 hereto which are currently leased by Sunar from Wheels, Inc. pursuant to the National Auto Leasing Agreement dated October 30, 1980.

5.9 Preparation of Tax Returns. Sellers will cooperate with Purchaser in preparing tax returns and reports for Purchaser

for periods after the Closing Date by providing reasonable access at reasonable times to such records and persons as are necessary to assist Purchaser in preparing such returns.

5.10 Post-Closing Actions.

(a) From time to time after the Closing, Sellers shall execute and deliver such other instruments, conveyances and transfers and take such other actions as Purchaser may reasonably request more effectively to vest in Purchaser all rights, title and interest in the Assets to be acquired by Purchaser pursuant to the transactions contemplated by this Agreement.

(b) During the three-year period following the Closing Purchaser shall notify Sunar whenever Purchaser receives an order from Genessee Office Interiors for products of the Wall Business; provided, however, that the failure of Purchaser to so notify Sunar shall subject Purchaser to no liability whatsoever to Sunar.

ARTICLE VI

COVENANT NOT TO COMPETE

6.1 Covenant.

(a) Sellers acknowledge and agree that, the value to Purchaser of the transactions provided for herein would be substantially diminished if Sellers (or their respective successors or assigns) were to enter into business activities competitive with the Wall Business for a reasonable period following the Closing Date. Consequently, as an inducement to Purchaser to enter into this Agreement, and in consideration of the promises and representations of Purchaser under this Agreement, Sellers covenant and agree that, for a period of seven years following the Closing Date, neither they nor their respective successors or assigns will engage in, or have any interest in, directly or indirectly, any other person, firm, corporation or other entity engaged in any business activities competitive with or similar or related to the Wall Business, as conducted on the date hereof and on the Closing Date. This restriction shall be applicable only with respect to the geographic areas in which Sellers, in connection with the Wall Business, have heretofore or are now conducting business operations.

(b) Sellers specifically acknowledge and agree that the foregoing covenants are commercially reasonable and reasonably necessary to protect the Wall Business as acquired by Purchaser pursuant to the this Agreement.

(c) The covenants contained in this Article VI shall be deemed to be a series of separate covenants, one for each product line in each county and each city of every state or country in which Sellers have heretofore conducted or now conduct the Wall Business. Each separate covenant shall hereinafter be referred to as a "Separate Covenant."

(d) If any court or tribunal of competent jurisdiction shall refuse to enforce one or more of the Separate Covenants because the time limit applicable thereto is deemed unreasonable, it is expressly understood and agreed that such Separate Covenant or Separate Covenants shall not be void but that for the purpose of such proceedings such time limitation shall be deemed to be reduced to the extent necessary to permit the enforcement of such Separate Covenant or Separate Covenants.

(e) If any court or tribunal of competent jurisdiction shall refuse to enforce any or all of the Separate Covenants because, taken together, they are more extensive (whether as to geographic area, scope of business or otherwise) than is deemed to be reasonable, it is expressly understood and agreed between the parties hereto that such Separate Covenant or Separate Covenants shall not be void but, for the purpose of such proceedings, the restrictions contained therein (whether as to geographic area, scope of business or otherwise) shall be deemed to be reduced to the extent necessary to permit the enforcement of such Separate Covenant or Separate Covenants.

(f) Sellers hereby acknowledge that the Wall Business is unique and that Purchaser and its successors and assigns will suffer irreparable and continuing harm to the extent that the foregoing covenants are breached, that legal remedies would be inadequate in the event of any such breach and that Purchaser and its successors and assigns shall be entitled to seek specific enforcement, injunctive relief and other equitable remedies in addition to monetary damages and other legal remedies.

(g) Nothing contained herein shall restrict Sellers from (a) owning two percent (2%) or less of the equity securities of any person in competition with the Wall Business which securities are listed on any national securities exchange or authorized for quotation on the Automated Quotations System of the National Association of Securities Dealers, Inc., if such person has no other connection or relationship, direct or indirect, with the issuer of such securities; (b) manufacturing, selling or promoting, as part of a furniture system, full height panels that in use may, but will not necessarily, support furniture components.

6.2 Employees. Sellers agree that, for a period of seven years following the Closing Date, without the prior written consent of Purchaser, neither they nor their successors or

assigns will induce or seek to induce any employee of Purchaser to leave his or her employment.

6.3 Customers and Suppliers. Following the Closing Date, Sellers shall not induce or seek to induce any customer or supplier of the Wall Business to cease to be a customer or supplier with respect to any matter connected with the Wall Business as such business is carried on as of the date hereof and as of the Closing Date.

ARTICLE VII

CONDITIONS TO PURCHASER'S OBLIGATIONS

The obligations of Purchaser to consummate the transactions provided for in this Agreement shall be subject to the satisfaction of each of the following conditions on or before the Closing Date, subject to the right of Purchaser to waive any one or more of such conditions:

7.1 Representations and Warranties of Sellers. The representations and warranties of Sellers contained in this Agreement (other than those contained in Sections 2.6, 2.24 and 2.25 hereof) and in the certificates and documents to be delivered to Purchaser pursuant hereto and in connection herewith shall be true and correct in all material respects on the date hereof and on the Closing Date (except for changes specifically permitted hereunder) as though such representations and warranties were made on the Closing Date.

7.2 Performance of this Agreement. Sellers shall have duly performed or complied with all of the respective obligations to be performed or complied with by them under the terms of this Agreement on or prior to the Closing Date.

7.3 Material Adverse Change. Except for such changes as are directly caused by Purchaser, including the failure to assume the Agreement dated November 20, 1988 between Sunar Hauserman, Cleveland Plant, and the United Furniture Workers of America Local 450 A.F.L. - C.I.O. (the "Labor Agreement"), there shall have been no material adverse change, actual or threatened, in the Wall Business or any of the Assets, whether or not covered by insurance, as a result of any cause whatsoever.

7.4 Certificate of Sellers. Purchaser shall have received a certificate signed by the President of Hauserman and of Sunar, on behalf of Hauserman and Sunar, respectively, dated as of the Closing Date and subject to no qualification certifying that the conditions set forth in Sections 7.1, 7.2, 7.3, 7.5, 7.6 and 7.7 hereof have been fully satisfied. Such certificate shall be deemed a representation and warranty of Sellers under this Agreement.

7.5 No Lawsuits.

(a) There shall not be in force any injunction or other order of any court or governmental agency or instrumentality which would prevent or restrict the consummation of any of the transactions contemplated by this Agreement or the License Agreement.

(b) Other than as a result of direct actions by Purchaser, including non-assumption of the Labor Agreement, no suit, action or other proceeding or investigation not disclosed on the Schedules hereto shall be threatened or pending before or by any court or governmental agency (i) concerning this Agreement or the consummation of the transactions contemplated hereby, or (ii) in connection with any claim against Sellers in connection with the Wall Business, which claim, if decided adversely, would have a material adverse effect on the Assets or the Wall Business. No governmental agency shall have threatened or directed any request for information not fully complied with concerning this Agreement, the transactions contemplated hereby or the consequences or implications of such transactions to Purchaser or Sellers, or any officer, director, employee or agent of any of them.

7.6 No Restrictions. There shall exist no condition, restriction or reservation affecting the title to or utility of the Assets which would prevent Purchaser from occupying and utilizing the Assets, or any part thereof, to the same full extent that Sellers might continue to do so if the sale and transfer contemplated hereby did not take place.

7.7 Consent. Except with respect to the Contracts, all consents and approvals necessary to ensure that Purchaser will continue to have the same full rights in respect to the Assets as Sellers had immediately prior to the consummation of the transaction contemplated hereunder, free and clear of any liens or encumbrances, shall have been obtained, and certified copies thereof shall be delivered to Purchaser.

7.8 Bankruptcy Court Order. The Purchaser shall have received a certified copy of the Approval Order of the U.S. Bankruptcy Court and the Approval Order shall be in full force and effect and shall not have been vacated, reversed, modified or amended' and, in the event that the Approval Order is subject to appeal, no performance of any obligation of Sellers or Purchaser contemplated herein shall have been stayed pending appeal, and all requisite periods for notice to the Sellers' creditors pursuant thereto shall have expired.

7.9 Compliance with Applicable Law. The filing and waiting period requirements of any applicable law relating to consummation of the transactions provided for herein shall have been duly complied with, and no government agency or

instrumentality shall have indicated to any party hereto its intention to challenge or seek to prevent the consummation of the transactions contemplated by this Agreement in any respect.

7.10 Apportionment Schedule. Purchaser shall have received the Apportionment Schedule as required by Section 1.5(b) hereof.

7.11 Estimated Inventory Value. Purchaser shall have received from Sellers the certificate setting forth the Estimated Inventory Value as required by Section 1.5(a)(i) hereof.

7.12 Deposit List. Purchaser shall have received from Sellers the list required to be provided pursuant to Section 1.5(e) hereof.

7.13 Other Documents. Purchaser shall receive from Sellers on or before the Closing Date:

(a) Appropriate documents conveying to Purchaser good and marketable title to the Assets comprising personal property, free and clear of all Liens.

(b) The Supply Agreement, executed by Sunar.

(c) Except as provided in Section 1.3(b), assignments of the Contracts with related consents, if any are so required.

(d) Assignments of all intellectual property rights which shall be in form suitable for recording with the appropriate United States government agencies.

(e) The Plant Purchase Agreement, executed and delivered to Purchaser by Sellers concurrently herewith.

(f) The Data Processing Services Agreement, executed by Sellers.

(g) The Office Lease, executed by Sellers.

7.14 Further Assurances. Purchaser shall have received such further instruments and documents as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all conditions to the consummation of such transactions.

7.15 Permits. Sellers shall have transferred to Purchaser, effective as of the Closing, the permits listed on Schedule 7.17 hereto.

ARTICLE VIII

CONDITIONS TO SELLERS' OBLIGATIONS

The obligations of Sellers to consummate the transactions provided for in this Agreement shall be subject to the satisfaction of each of the following conditions on or before the Closing Date, subject to the right of Sellers to waive any one or more of such conditions:

8.1 Representations and Warranties of Purchaser. The representations and warranties of Purchaser contained in this Agreement and in the certificates and documents to be delivered to Sellers pursuant hereto and in connection herewith shall be true and correct in all respects on the date hereof and on the Closing Date (except for changes specifically permitted hereunder) as though such representations and warranties were made on the Closing Date.

8.2 Performance of this Agreement. Purchaser shall have duly performed or complied with all of the obligations to be performed or complied with by it under the terms of this Agreement on or prior to the Closing Date.

8.3 Certificate of Purchaser. Sellers shall have received a certificate signed by an officer of Purchaser dated as of the Closing Date and subject to no qualification certifying that the conditions set forth in Sections 8.1 and 8.2 hereof have been fully satisfied. Such certificate shall be deemed a representation and warranty of Purchaser hereunder.

8.4 Payment of Purchase Price; Assumption of Assumed Obligations. Sellers shall have received from Purchaser on the Closing Date the Cash Purchase Price to be delivered at the Closing pursuant to Section 1.8 hereof, and appropriate documents effecting the assumption by Purchaser of the Assumed Obligations.

8.5 Other Documents. Sunar shall have received the Supply Agreement, the Plant Purchase Agreement and the Data Processing Services Agreement, each executed by Purchaser.

8.6 Further Assurances. Sellers shall have received such further instruments and documents as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all conditions to the consummation of such transactions.

8.7 No Lawsuits. No suit, action or other proceeding or investigation shall be threatened or pending before or by any court or governmental agency concerning this Agreement or the consummation of the transactions contemplated hereby. No governmental agency shall have threatened or directed any request

for information concerning this Agreement, the transactions contemplated hereby or the consequences or implications of such transactions to Purchaser or Sellers, or any officer, director, employee or agent of any of them.

8.8 Compliance with Applicable Law. The filing and waiting period requirements of any applicable law relating to consummation of the transactions provided for herein shall have been duly complied with, and no governmental agency or instrumentality shall have indicated to any party hereto its intention to challenge or seek to prevent the consummation of the transactions contemplated by this Agreement in any respect.

ARTICLE IX

INDEMNIFICATION

9.1 Indemnification. Sellers, jointly and severally, hereby agree to indemnify, defend and hold harmless each of Purchaser, any corporation affiliated with Purchaser, and any shareholder, director, officer, employee or agent of any of them (a "Purchaser Indemnified Party") on an after-tax basis (as hereinafter defined) from and against all claims, liabilities, losses, costs, deficiencies or expenses, including reasonable attorneys' fees, interest and penalties in connection therewith ("Losses"), which may be sustained by a Purchaser Indemnified Party and arise from:

(a) The breach of any agreement, covenant, representation, warranty, or other obligation of Sellers made or incurred under or pursuant to this Agreement, the Plant Purchase Agreement or any document delivered pursuant hereto or thereto;

(b) The assertion against any Purchaser Indemnified Party of any liability or obligation, in connection with the conduct prior to the closing under the Plant Purchase Agreement of the Wall Business or any other business of Sellers or any Seller, other than the Assumed Obligations and any obligation or liability which would be a Cash Requirement of Sunar pursuant to the Supply Agreement;

(c) The assertion against any Purchaser Indemnified Party of any claim for personal injury, death, property or economic damage, breach of warranty or other product or strict liability claim arising from the design, manufacture, sale or distribution of or exposure to any product or component thereof or the provision of any service by either Seller, which product shall have been manufactured, sold or distributed prior to the closing under the Plant Purchase Agreement, other than any obligation or liability which would be a Cash Requirement of Sunar pursuant to the Supply Agreement;

(d) Any violation by either Seller of or liability with respect to the Wall Business or the Plant under any U.S. federal, state or local or any foreign statute, regulation, ordinance or other requirement regulating or otherwise affecting public health or employee health and safety as presently in effect, including, without limitation, any such liability arising out of and attributable to the conduct of the Wall Business prior to the Closing Date which may be imposed upon Purchaser;

(e) Sellers' actions or failures to act that have resulted in the disposal or release of any hazardous waste, solid waste or hazardous substance of any kind, arising out of and attributable to the conduct of the Wall Business at a location other than the Plant prior to the Closing Date which may be imposed upon Purchaser;

(f) The presence on any real property included in the Assets or (with respect to actions of Sellers) any real property leased pursuant to any of the Contracts or in the improvements thereon at or prior to Closing, including, without limitation, in the soil, subsoil and groundwater thereof, of "hazardous substances," "hazardous waste," "hazardous constituents" and "solid waste" (as those terms are defined in any applicable U.S. federal, state or local or foreign statute, regulation, ordinance or requirement of any kind all as presently in effect) in any quantity;

(g) Foreign, United States, state, local or other Tax liabilities arising prior to the Closing Date or for which either Seller may be liable and which relate to any period prior to the close of the Closing Date; or

(h) The assertion against any Purchaser Indemnified Party of any liability or obligation of Sellers for brokerage fees, finder's fees or commissions with respect to the transactions contemplated by this Agreement or the Plant Purchase Agreement.

9.2 Indemnification by Purchaser. Purchaser shall indemnify, defend and hold harmless each of Sellers, and any director, officer, employee or agent of either Seller (a "Seller Indemnified Party"), on an after-tax basis, from and against all Losses which may be sustained by a Seller Indemnified Party arising from:

(a) The breach of any agreement, covenant, representation, warranty, or other obligation of Purchaser made or incurred under or pursuant to this Agreement or any document delivered pursuant hereto;

(b) The failure of Purchaser to pay as required, satisfy or discharge any Assumed Obligation, except to the extent that such failure results from a breach of the representations,

warranties, covenants or agreements of Sellers set forth in this Agreement;

(c) The assertion against any Seller Indemnified Party of any claim for personal injury, death, property or economic damage, breach of warranty or other product or strict liability claim arising from the design, manufacture, sale or distribution of or exposure to any product of the Wall Business or component thereof or the provision of any service by Purchaser, which product shall have been manufactured on or following the closing under the Plant Purchase Agreement;

(d) Foreign, United States, state, local or other Tax liabilities arising from ownership or use of the Assets on or following the Closing Date;

(e) Any liability or obligation arising from the operation of the Wall Business by Purchaser after the closing under the Plant Purchase Agreement; and

(f) The assertion against any Seller Indemnified Party of any liability or obligation of Purchaser for brokerage fees, finder's fees or commissions with respect to the transactions contemplated by this Agreement.

9.3 "After-Tax Basis". For purposes of this Article IX, an amount determined on an "after-tax basis" shall mean such amount which (i) after reduction for all Taxes required to be paid by a party to be indemnified pursuant to this Article IX (the "Indemnified Party") from time to time to any taxing authority in respect of the receipt of an indemnity payment, and (ii) increased by any net tax benefit which the Indemnified Party realizes in the taxable year in which the indemnity payment is received or in any earlier taxable year by reason of the occurrence of the event giving rise to any such indemnity payment, is equal to the gross amount of the Loss required to be indemnified against. In addition, if the Indemnified Party realizes a net tax benefit in a year subsequent to a taxable year in which the indemnity payment is received by reason of the occurrence of the event giving rise to any such indemnity payment hereunder, the Indemnified Party shall pay the party indemnifying such Indemnified Party (the "Indemnitor") an amount equal to the sum of such tax benefit when, as, if and to the extent realized; provided, however, that (i) such sum shall not (when added to any amounts previously paid by such Indemnified Party to such Indemnitor pursuant to this sentence) exceed the total of the amounts of indemnity payments previously paid to such Indemnified Party by such Indemnitor pursuant to this Agreement, (ii) such sum shall not be payable until all indemnity payments required to be paid to such Indemnified Party by such Indemnitor on or prior to such date pursuant to this Agreement have been paid, and (iii) any disallowance or reduction of the tax benefits referred to in this Section 9.3 subsequent to the

year of realization by such Indemnified Party shall be treated as giving rise to a Loss that is fully indemnifiable (without any exclusion) pursuant to Section 9.1 or 9.2 hereof. The Indemnified Party's outside auditors shall make the determination of the "after-tax basis" consistently with the foregoing principles and taking into account the time value of money (using a discount rate equal to the "applicable federal rate" as defined in Section 1274 of the Code).

9.4 Participation in Litigation. In the event any suit or other proceeding is initiated against an Indemnified Party with respect to which such Indemnified Party alleges the Indemnitor is or may be obligated to indemnify such Indemnified Party hereunder, the Indemnitor shall be entitled to participate in such suit or proceeding, at its expense and by counsel of its choosing, provided that (a) such counsel is reasonably satisfactory to the Indemnified Party, and (b) the Indemnified Party shall retain primary control over such suit or proceeding. Such counsel shall be afforded access to all information pertinent to the suit or proceeding in question. Notwithstanding the foregoing, in the event the Indemnitor acknowledges that it is obligated to indemnify such Indemnified Party hereunder, the Indemnitor may assume primary control of such suit or proceeding at its expense. The Indemnified Party shall not settle or otherwise compromise any such suit or proceeding without the prior consent of the Indemnitor, which consent shall not be unreasonably withheld, if the effect of such settlement or compromise would be to impose liability on the Indemnitor hereunder.

9.5 Claims Procedure.

(a) In the event from time to time any Indemnified Party believes that it or any other Indemnified Party has or will suffer any Losses for which the Indemnitor is obligated to indemnify such Indemnified Party hereunder, it shall promptly notify the Indemnitor in writing of the matter, specifying therein the reason why such Indemnified Party believes that the Indemnitor is or will be obligated to indemnify such Indemnified Party, the amount, if liquidated, to be indemnified, and the basis on which such Indemnified Party has calculated such amount. If such amount is not yet liquidated, the notice shall so state.

(b) Within thirty (30) days after receipt of any notice given hereunder, the Indemnitor shall give notice to the Indemnified Party of:

(i) the acquiescence by the Indemnitor in whole to the claim;

(ii) the acquiescence by the Indemnitor in part to the claim; or

(iii) the rejection by the Indemnitor in whole of the claim.

Failure by the Indemnitor to deliver such notice within the foregoing thirty (30) day period shall be a rejection of the validity of the Indemnified Party's claim.

(c) Payments due under this Article shall be made within ten (10) days after the date of the final determination thereof hereunder.

(d) Payments by the Indemnified Party to third parties (including Federal, state, local, foreign or other Tax authorities), to the extent required to be indemnified pursuant to this Article IX, shall include interest on the amount of such payment from the date such payment is made through the date the Indemnified Party is indemnified therefor at a rate of interest equal to the prime rate as announced by Chase Manhattan Bank, N.A. from time to time.

9.6 Accounting for Indemnity Payments. The parties hereto agree that indemnity payments hereunder (and any payments in reduction or return thereof pursuant to Section 9.3 hereof) should be treated for Tax purposes as reductions (or increases) in the Aggregate Consideration. Accordingly, the parties hereto agree to report such amounts for Tax purposes as adjustments to the Aggregate Consideration, provided, however, that the foregoing shall not reduce any indemnity payment otherwise required hereunder in the event any taxing authority successfully challenges the Tax consequences of such reporting position.

9.7 Limitation on Claims. Except with respect to Losses arising from claims based upon fraudulent or intentional misrepresentations or fraudulent or intentional failures to disclose as to which there is no limitation, the Purchaser Indemnified Parties shall not be entitled to indemnification pursuant to the provisions of Section 9.1 hereof (a) in excess of the Cash Purchase Price, as adjusted pursuant to Section 1.5, or (b) until the aggregate of all Losses incurred by the Purchaser Indemnified Parties exceeds $100,000, but upon reaching such amount, from the first dollar to the full extent of all Losses.

ARTICLE X

MISCELLANEOUS

10.1 Assignment; Binding Agreement.

(a) This Agreement and all or any part of Purchaser's rights and obligations hereunder may be assigned by Purchaser at any time to any one or more direct or indirect subsidiary(ies) of Purchaser or any other entity(ies) controlled by, controlling or under common control with Purchaser. Purchaser shall cause such

affiliate(s) to perform any of Purchaser's obligations hereunder which are assumed by such affiliate(s).

(b) Neither this Agreement nor any of Sellers' rights or obligations hereunder may be assigned by Sellers without Purchaser's prior written consent.

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective successors and permitted assigns.

10.2 Termination of Agreement.

(a) Grounds. This Agreement and the transactions contemplated hereby may be terminated only as follows:

(i) By mutual consent of the Boards of Directors of Purchaser and of Sellers and the Secured Lenders.

(ii) By either the Board of Directors of Purchaser or the Boards of Directors of Sellers if the Closing shall not have occurred on or before February 4, 1990, or such other date, if any, as Purchaser and Sellers shall agree upon.

(iii) By the Boards of Directors of Sellers or the Board of Directors of Purchaser if the consummation of the transactions contemplated hereby would violate any non-appealable final order, decree or judgment of any court or governmental body having competent jurisdiction.

(b) Effect of Termination. If this Agreement is terminated by Sellers or by Purchaser as permitted under Section 10.2(a) hereof, such termination shall be without liability of any party, or any shareholder, director, officer, employee, agent, consultant or representative of such party, to any other party to this Agreement and the Cash Deposit shall be returned to Purchaser forthwith; provided that, if such termination shall result from the willful failure of any party to fulfill a condition to the performance of another party or to perform a covenant of this Agreement or from a willful breach by any party to this Agreement, such party shall be fully liable for any and all damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) sustained or incurred by the other party or parties and if Purchaser commits such failure or breach, Purchaser shall not be entitled to the return of the Cash Deposit.

10.3 Non-Disclosure of Information. Without the prior written consent of Purchaser, Sellers will not disclose or reveal to any third person any confidential, non-public or commercially valuable information (a) concerning Purchaser to which Sellers

were exposed in connection with this Agreement or (b) concerning the Wall Business, and, without the prior written consent of Sellers, Purchaser will not disclose or reveal any such information concerning Sellers to which Purchaser was exposed in connection with this Agreement.

10.4 Remedies. Nothing contained herein is intended to or shall be construed to limit the remedies which any party may have against the others in the event of a breach of or default under this Agreement, it being intended that any remedies shall be cumulative and not exclusive.

10.5 Entire Agreement and Amendment. This Agreement, including the Schedules attached hereto and the documents delivered pursuant hereto, which are incorporated herein by this reference, constitutes the entire agreement between the parties. No amendment to, change of, modification of, or addition to this Agreement shall be valid unless the same shall be in writing and signed by all parties hereto.

10.6 Severability. If any provision of this Agreement shall be determined to be contrary to law and unenforceable by any court of law, the remaining provisions shall be severed therefrom and continue to be enforceable in accordance with their terms.

10.7 Counterparts. This Agreement may be executed in one or more identical counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

10.8 Headings; Interpretation. The table of contents and article and section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of the Agreement. All of the parties hereto have participated substantially in the negotiation and drafting of this Agreement and each party hereby disclaims any defense or assertion in any litigation or arbitration that any ambiguity herein should be construed against the draftsman.

10.9 Governing Law; Arbitration. This Agreement shall be governed by, construed, interpreted and enforced according to the laws of the State of New York without regard to its rules governing conflicts of law. Except as provided in Section 1.6 hereof, all disputes arising in connection with his Agreement or any transactions or other agreements contemplated hereby shall be finally settled under the conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The arbitration proceedings shall take place in ~~Geneva, Switzerland~~ New York, New York and shall be conducted in the English language.

10.10 Payment of Fees and Expenses. Each party hereto shall pay all fees and expenses of such party's respective

counsel, accountants, investment bankers and other experts and all other expenses incurred by such party incident to the negotiation, preparation and execution of this Agreement and the consummation of the transaction contemplated hereby, including any finder's or brokerage fees.

10.11 Notices. All notices, requests, demands and other communications hereunder shall be deemed to have been duly given if the same shall be in writing and shall be delivered personally or sent by confirmed facsimile transmission or registered or certified mail, postage prepaid, return receipt requested, and addressed as set forth below:

If to Sellers:

c/o SunarHauserman, Inc.
5711 Grant Avenue
Cleveland, OH 44105
Attention: President
Fax No.: (216) 641-0545

If to Purchaser

c/o Clestra S.A.
56, rue Jean Giraudoux
67200 Strasbourg, France
Attention: Jean Charles Pauze, President
Fax No. (33) 88 29-27-93

copy to:

Coudert Brothers
200 Park Avenue
New York, NY 10166
Attention: Timothy J. McCarthy, Esq.
Fax No.: (212) 972-1768

Any such notice shall be effective upon receipt. Any party may change the address to which notices are to be addressed by giving the other parties notice in the manner herein set forth.

10.12 Survival of Representations and Warranties. All representations and warranties of Sellers and Purchaser made

under or pursuant to this Agreement shall survive the Closing Date for a period of one year.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

HAUSERMAN, INC., as Debtor and Debtor-in-Possession

By: _____
Name: William F. Hauserman
Title: CEO

SUNARHAUSERMAN, INC., as Debtor and Debtor-in-Possession

By: _____
Name: William F. Hauserman
Title: CEO

CLESTRA HAUSERMAN, INC.

By: _____
Name: Laurance S. Nowak
Title: President

STOCK PURCHASE AGREEMENT

among

STRAFOR FACOM S.A.

STRAFOR FACOM, INC.

and

STEELCASE INC.

July 17, 1998

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made as of July 17, 1998, by and among Strafor Facom S.A., ("SF-Europe"), Strafor Facom, Inc., a Delaware corporation ("SF-US"), and Steelcase Inc., a Michigan corporation ("Investor").

RECITALS:

A. SF-US owns all of the outstanding capital stock of Clestra Hauserman, Inc., a Delaware corporation (the "Company").

B. This Agreement contemplates a transaction in which the Investor will purchase from SF-US, and SF-US will sell to the Investor, approximately forty-nine and seventy-five hundredths percent (49.75%) of all of the outstanding capital stock of the Company in return for cash.

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, Investor, SF-US and SF-Europe agree as follows:

1. PURCHASE AND SALE OF STOCK

1.1. Sale and Transfer of Common Stock. Subject to the terms and conditions of this Agreement, Investor agrees to purchase at the Closing, and SF-US agrees to sell and transfer to Investor at the Closing, 297 shares of the Company's common stock (the "Shares") for an aggregate price of $4,000,000 (the "Purchase Price").

1.2. Closing. The purchase and sale of the Shares shall take place at the offices of the Company, simultaneously with the execution hereof at such time as the parties mutually agree upon orally or in writing (which time and place are designated as the "Closing"). At the Closing, SF-US shall deliver to Investor, among other things as provided herein, a certificate representing the Shares against, among other things as provided herein, payment of the purchase price therefor by wire transfer.

2. JOINT AND SEVERAL REPRESENTATIONS AND WARRANTIES OF SF-EUROPE AND SF-US

SF-Europe and SF-US, jointly and severally, make the following representations and warranties to Investor, each of which is true and correct on the date hereof, shall be unaffected by any investigation heretofore or hereafter made by Investor or any knowledge of Investor, other than as specifically disclosed in the Disclosure Schedule delivered to Investor at the time of the execution of this Agreement, and shall survive the Closing of the transactions as provided for herein.

Disclosure Schedule

Exhibits

STOCK PURCHASE AGREEMENT
TABLE OF CONTENTS

2.1. Company.

2.1.(a) Organization. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

2.1.(b) Power. Company has all requisite legal power and authority to own, operate and lease its properties and to carry on its business.

2.1.(c) Qualification. Company is duly licensed or qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction wherein such licensing or qualification is necessary except where the lack of such qualification would not have a material adverse effect on the financial condition or business of the Company. The states in which Company is licensed or qualified to do business are listed in Schedule 2.1.(c).

2.1.(d) Subsidiaries. Company does not own any interest in any corporation, partnership or other entity.

2.1.(e) Corporate Documents, etc. The copies of the Certificate of Incorporation and By-Laws of the Company, including any amendments thereto, which have been delivered by SF-US to Investor are true, correct and complete copies of such instruments as presently in effect. The corporate minute book and stock records of the Company which have been furnished to Investor for inspection are true, correct and complete and accurately reflect all material corporate action taken by the Company.

2.1.(f) Capitalization. The authorized capital of the Company consists entirely of Ten Thousand (10,000) shares of common stock, $1.00 par value per share, and Two Hundred Fifteen (215) shares of preferred stock, $10.00 par value per share. Five Hundred Ninety-Five (595) shares of common stock were issued and outstanding as of the Closing. All of such issued and outstanding shares of common stock are held by SF-US. No shares of preferred stock were issued and outstanding as of the Closing.

2.2. SF-Europe.

2.2.(a) Organization. SF-Europe is a corporation duly organized, validly existing and in good standing under the laws of France.

2.2.(b) Power. SF-Europe has full power, legal right and authority to enter into, execute and deliver this Agreement and the other agreements, instruments and documents contemplated hereby, and to carry out the transactions contemplated hereby.

2.2.(c) Authority. No other corporate act or proceeding on the part of SF-Europe or its shareholders is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by SF-Europe pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and

to employees in the ordinary course of business for travel [illegible] in accordance with past practice) to any person including, but not limited to, any Affiliate (for purposes of this Agreement, the term "Affiliate" shall mean and include all shareholders, directors and officers of Company; the spouse of any such person; any person who would be the heir or descendant of any such person if he or she were not living; and any entity in which any of the foregoing has a direct or indirect interest, except through ownership of less than 5% of the outstanding shares of any entity whose securities are listed on a national securities exchange or traded in the national over-the-counter market); or

2.11.(l) Credit. Any grant of credit to any customer or distributor on terms or in amounts more favorable than those which have been extended to such customer or distributor in the past, any other change in the terms of any credit heretofore extended, or any other change of Company's policies or practices with respect to the granting of credit.

2.12. Absence of Undisclosed Liabilities. Except as and to the extent specifically disclosed in the Recent Balance Sheet, or in Schedule 2.12, Company does not have any liabilities, commitments or obligations, other than (a) liabilities reflected or reserved against on the Recent Balance Sheet or in the notes to the audited financial statements for the fiscal year ended December 31, 1997; (b) liabilities incurred in the ordinary course of business since the date of the Recent Balance Sheet; (c) liabilities under any unusual contractual obligation; and (d) liabilities which, individually or in the aggregate, have not had and will not have a material adverse effect on the Company.

2.13. No Litigation. Except as set forth in Schedule 2.13 there is no action, suit, arbitration, proceeding, investigation or inquiry, whether civil, criminal or administrative ("Litigation") pending or threatened against Company, its directors (in such capacity), its business or any of its assets, nor does SF-Europe or SF-US know, or have grounds to know, of any basis for any Litigation. Neither Company nor its business or assets is subject to any Order of any Government Entity.

2.14. Compliance With Laws and Orders.

2.14.(a) Compliance. Except as set forth in Schedule 2.14.(a), Company is in material compliance with all applicable Laws and Orders. Company has not received notice of any violation or alleged violation of, and is subject to no Liability for past or continuing violation of, any Laws or Orders. All reports and returns required to be filed by Company with any Government Entity have been filed, and were accurate and complete in all material respects when filed.

2.14.(b) Licenses and Permits. Company has all licenses, permits, approvals, authorizations and consents of all Government Entities and all certification organizations required for the conduct of the business (as presently conducted and as

proposed to be conducted) and operation of [redacted]
2.15.(c)) if the failure to have any such item would have a material [redacted]
the Company. All such licenses, permits, approvals, authorizations and consents are described in Schedule 2.14.(b), are in full force and effect and will not be affected or made subject to loss, limitation or any obligation to reapply as a result of the transactions contemplated hereby. Except as set forth in Schedule 2.14.(b), Company (including its operations, properties and assets) is and has been in compliance with all such permits and licenses, approvals, authorizations and consents.

2.14.(c) Environmental Matters. The applicable Laws relating to pollution or protection of the environment, including Laws relating to emissions, discharges, generation, storage, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic, hazardous or petroleum or petroleum-based substances or wastes ("Waste") into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Waste including, without limitation, the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act and the Comprehensive Environmental Response Compensation Liability Act ("CERCLA"), as amended, and their state and local counterparts are herein collectively referred to as the "Environmental Laws". Without limiting the generality of the foregoing provisions of this Section 2.14.(c), to the present state of knowledge of SF-Europe and SF-US, Company is in full compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws or contained in any regulations, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. Except as set forth in Schedule 2.14.(c), there is no Litigation nor any demand, claim, hearing or notice of violation pending or threatened against Company relating in any way to the Environmental Laws or any Order issued, entered or promulgated thereunder. Except as set forth in Schedule 2.14.(c), there are no past or present (or, to the present state of SF-Europe's and SF-US's knowledge, future) events, conditions, circumstances, activities, practices, incidents, actions, omissions or plans which may interfere with or prevent compliance or continued compliance with the Environmental Laws or with any Order issued, entered or promulgated thereunder, or which may give rise to any liability, including, without limitation, liability under CERCLA or similar state or local Laws, or otherwise form the basis of any Litigation, hearing, notice of violation, study or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release or threatened release into the environment, of any Waste.

[redacted]
Indemnitor to the limitations set forth in section 5.4).

If the Indemnitor does not assume control of the defense of such Claim, the entire defense of the Claim by the Indenmitee, any settlement made in good faith by the Indemnitee, and any judgment entered in the Claim will be deemed to have been consented to by, and will be binding upon, the Indemnitor as fully as though it alone had assumed the defense thereof and a judgement had been entered in the Claim in the amount of such settlement or judgment, except that the right of the Indemnitor to contest the right of the Indemnitee to indemnification under this Agreement with respect to the Claim will not be extinguished. If the Indemnitor does assume control of the defense of such Claim, it shall not, without the prior written consent of the Indemnitee, settle such Claim or consent to entry of any judgment relating thereto which does not include as an unconditional term thereof the giving by the claimant to the Indemnitee of a release from all liability in respect of the Claim. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such Claim.

5.6. Indemnification for Environmental Matters. Subject to the limitations and conditions set forth in Section 5.2, without limiting the generality of the foregoing, SF-US agrees to indemnify, reimburse, hold harmless and defend Investor and Investor's Affiliates for, from, and against all Losses asserted against, imposed on, or incurred by any such person, directly or indirectly, in connection with any pollution, threat to the environment, or exposure to, or manufacture, processing, distribution, use, treatment, generation, transport or handling, disposal, emission, discharge, storage or release of Waste that (i) is related in any way to Company's or any previous owner's or operator's ownership, operation or occupancy of the business, properties and assets owned or used by Company, and (ii) in whole or in part occurred, existed, arose out of conditions or circumstances that existed, or was caused on or before the Closing.

6. DOCUMENTS TO BE DELIVERED

6.1. Documents to be Delivered by SF-US. At the Closing, SF-US shall deliver, or cause the Company to deliver, to Investor the following documents, in each case duly executed or otherwise in proper form:

6.1.(a) Stock Certificate(s). A stock certificate or certificates representing the Shares, duly endorsed for transfer or with duly executed stock powers attached.

6.1.(b) Certified Resolutions. Certified copies of the resolutions of the board of directors of the Company and SF-US authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement.

6.1.(c) Certificate; By-Laws. A copy of the By-Laws of Company certified by the secretary of Company, and a copy of the Certificate of Incorporation of Company certified by the Secretary of State of the state of incorporation of Company.

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made as of July 29, 1999, by and among STRAFOR FACOM S.A., a French *société anonyme* ("SF-Europe"), STRAFOR FACOM, INC., a Delaware corporation ("SF-US"), STEELCASE INC., a Michigan corporation ("Investor"), CLESTRA HAUSERMAN S.A., a French *société anonyme* ("Clestra-Europe"), and CLESTRA HAUSERMAN, INC., a Delaware corporation (the "Company").

RECITALS:

A. SF-US owns 298 shares of the outstanding capital stock of the Company.

B. This Agreement contemplates a transaction in which Investor will purchase from SF-US, and SF-US will sell to Investor, all of the shares of outstanding capital stock of the Company held by SF-US.

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, Investor, SF-US, SF-Europe, Clestra-Europe and the Company agree as follows:

1. PURCHASE AND SALE OF STOCK

1.1. Sale and Transfer of Common Stock.

Subject to the terms and conditions of this Agreement, Investor agrees to purchase at the Closing, and SF-US agrees to sell and transfer to Investor at the Closing, 298 shares of the Company's common stock (the "Shares") for an aggregate price of $6,400,000 (the "Purchase Price"). Investor will pay the Purchase Price at the Closing as follows: $5,200,000 by wire transfer in immediately available funds to an account designated by SF-US and $1,200,000 in forgiveness of the obligation due to Investor from SF-US pursuant to Section 13 of the July 17, 1998 Shareholders' Agreement (the "Shareholders' Agreement").

1.2. Closing.

The purchase and sale of the Shares shall take place at a location to be determined by the parties, within three business days after the later to occur of (i) the expiration or termination of the applicable waiting period with respect to the parties' filings pursuant to Section 4.1 and (ii) the delivery of the documents to be delivered to Investor in accordance with Section 4.3 and Section 4.4, or at such other time as the parties mutually agree orally or in writing (which time and place are designated as the "Closing"). At the Closing, SF-US shall deliver to Investor, among other things as provided herein, a certificate representing the Shares against payment of the Purchase Price therefor.

2. JOINT AND SEVERAL REPRESENTATIONS AND WARRANTIES OF SF-EUROPE, SF-US AND CLESTRA-EUROPE

SF-Europe, SF-US and Clestra-Europe (with respect to Section 2.4 and Section 2.11 only), jointly and severally, make the following representations and warranties to Investor, each of which is true and correct on the date hereof, shall be true as of the Closing Date and shall be unaffected by any investigation heretofore or hereafter made by Investor or any knowledge of Investor and shall survive the Closing of the transactions until the one-year anniversary of the Closing.

2.1. Company Capitalization.

The authorized capital of the Company consists entirely of Ten Thousand (10,000) shares of common stock, $1.00 par value per share, and Two Hundred Fifteen (215) shares of preferred stock, $10.00 par value per share. Five Hundred Ninety-Five (595) shares of common stock shall be issued and outstanding as of the Closing. All of such issued and outstanding shares of common stock are held by SF-US, except for 297 shares held by Investor. No shares of preferred stock shall be issued and outstanding as of the Closing.

2.2. SF-Europe.

2.2.(a) Organization. SF-Europe is a *société anonyme* duly organized and validly existing under the laws of France.

2.2.(b) Power. SF-Europe has full power, legal right and authority to enter into, execute and deliver this Agreement and the other agreements, instruments and documents contemplated hereby, and to carry out the transactions contemplated hereby.

2.2.(c) Authority. No other corporate act or proceeding on the part of SF-Europe or its shareholders is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by SF-Europe pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and instruments to be executed and delivered by SF-Europe pursuant hereto will constitute, valid and binding agreements of SF-Europe, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principles.

2.3. SF-US.

2.3.(a) Organization. SF-US is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

2.3.(b) Power. SF-US has full power, legal right and authority to enter into, execute and deliver this Agreement and the other agreements, instruments and documents contemplated hereby, and to carry out the transactions contemplated hereby.

2.3.(c) Authority. The execution and delivery of this Agreement and the other documents and instruments to be executed and delivered by SF-US pursuant hereto and

the consummation of the transactions contemplated hereby and thereby will be duly authorized by the Board of Directors of SF-US at or prior to the Closing. No other corporate act or proceeding on the part of SF-US or its shareholders is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by SF-US pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and instruments to be executed and delivered by SF-US pursuant hereto will constitute, valid and binding agreements of SF-US, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principles.

2.4. Clestra-Europe.

2.4.(a) Organization. Clestra-Europe is a *société anonyme* duly organized and validly existing under the laws of France.

2.4.(b) Power. Clestra-Europe has full power, legal right and authority to enter into, execute and deliver this Agreement and the other agreements, instruments and documents contemplated hereby, and to carry out the transactions contemplated hereby.

2.4.(c) Authority. No other corporate act or proceeding on the part of Clestra-Europe or its shareholders is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by Clestra-Europe pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and instruments to be executed and delivered by Clestra-Europe pursuant hereto will constitute, valid and binding agreements of Clestra-Europe, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principles.

2.5. Title.

SF-US has, and at Closing Investor will receive, good and marketable title to the Shares, free and clear of all liens including, without limitation, voting trusts or agreements, proxies, marital or community property interests.

2.6. Valid Issuance of Common Stock.

The Shares, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and nonassessable, and will be free of restrictions on transfer.

2.7. No Violation.

To the present state of SF-Europe's and SF-US's knowledge, neither the execution and delivery of this Agreement nor the consummation by Company, SF-Europe and SF-US of the transactions contemplated hereby (a) will violate any statute, law, ordinance, rule or regulation (collectively, "Laws") or any order, writ, injunction, judgment, plan or decree (collectively, "Orders") of any court, arbitrator,

department, commission, board, bureau, agency, authority, instrumentality or other body, whether federal, state, municipal, foreign or other (collectively, "Government Entities") to which they are subject, (b) except for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), will require any authorization, consent, approval, exemption or other action by or notice to any Government Entity, or (c) will violate or conflict with, or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or will result in the termination of, or accelerate the performance required by, or result in the creation of any lien upon any of the assets of Company (or the Shares) under any term or provision of the Certificate of Incorporation or By-Laws of such entities or of any contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which such entitles are a party or by which such entities or any of their assets or properties may be bound or affected.

2.8. Absence of Undisclosed Liabilities.

Except as and to the extent specifically disclosed in the Company's December 31, 1998 balance sheet (the "Recent Balance Sheet"), neither SF-US nor SF-Europe is aware of any liabilities, commitments or obligations of the Company, other than (a) liabilities reflected or reserved against on the Recent Balance Sheet; (b) liabilities incurred in the ordinary course of business since the date of the Recent Balance Sheet; (c) liabilities under any unusual contractual obligation; and (d) liabilities which, individually or in the aggregate, have not had and will not have a material adverse effect on the Company.

2.9. No Litigation.

To the present state of SF-US or SF-Europe's knowledge there is no action, suit, arbitration, proceeding, investigation or inquiry, whether civil, criminal or administrative ("Litigation") pending or threatened against Company, its directors (in such capacity), its business or any of its assets.

2.10. No Brokers or Finders.

Neither Company nor any of its directors, officers, employees, shareholders or agents have retained, employed or used any broker or finder in connection with the transaction contemplated herein or in connection with the negotiation hereof.

2.11. Inter-Company Debt.

The Company does not have any indebtedness whatsoever to SF-US, SF-Europe, Clestra-Europe or any affiliate thereof.

3. REPRESENTATIONS AND WARRANTIES OF INVESTOR

Investor makes the following representations and warranties to SF-Europe, SF-US and Clestra-Europe, each of which is true and correct on the date hereof, shall remain true and correct to and including the Closing Date, shall be unaffected by any investigation heretofore or hereafter made by SF-Europe, SF-US or Clestra-Europe, or any notice to SF-Europe, SF-US or Clestra-Europe, and shall survive the Closing of the transactions until the one-year anniversary of the Closing.

3.1. Corporate.

3.1.(a) Organization. Investor is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan.

3.1.(b) Power. Investor has full power, legal right and authority to enter into, execute and deliver this Agreement and the other documents and instruments to be executed and delivered by Investor and to carry out the transactions contemplated hereby and thereby.

3.1.(c) Authority. The execution and delivery of this Agreement and the other documents and instruments to be executed and delivered by Investor pursuant hereto and the consummation of the transactions contemplated hereby and thereby have been duly authorized by Investor. No other corporate act or proceeding on the part of Investor or its shareholders is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by Investor pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and instruments to be executed and delivered by Investor pursuant hereto will constitute, valid and binding agreements of Investor, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principles.

3.2. No Violation.

Neither the execution and delivery of this Agreement nor the consummation by Investor of the transactions contemplated hereby (a) will violate any Laws or orders, of any Governmental Entity to which Investor is subject or (b) except for applicable requirements of the HSR Act, will require any authorization, consent, approval, exemption or other action by or notice to any Government Entity.

3.3. No Brokers or Finders.

Neither Investor nor any of its directors, officers, employees or agents have retained, employed or used any broker or finder in connection with the transaction provided for herein or in connection with the negotiation thereof.

3.4. Investment Intent.

The Shares are being acquired by Investor for investment only and not with the view to resale or other distribution within the meaning of the Securities Act of 1933, as amended.

4. ACKNOWLEDGEMENTS, CONSENTS AND COVENANTS

4.1. HSR Filing.

The parties agree to use their best efforts to assist and cooperate with each other in preparing the appropriate filings under the HSR Act. SF-US and Investor shall share equally the filing fees in connection with such filings.

4.2. Section 338 (h) (10) Election.

Upon Investor's request, SF-US agrees that it will join in making a timely election under Code Section 338 (h) (10) to treat this transaction as a sale of assets as provided by such Code Section and the Treasury Regulations promulgated thereunder for federal income tax purposes and an election under the statutes of such states as permit an equivalent election to treat this transaction as a sale of assets as provided by such states' applicable laws for state tax purposes and to take whatever steps (including without limitation executing and filing Internal Revenue Service Form 8023) to effectuate such elections. In the event such an election is made, the Purchase Price shall be allocated as designated by Investor. In the event such an election is made, each party covenants to report gain or loss or cost basis, as the case may be, in a manner consistent with such allocation for federal and state income and franchise tax purposes. In the event such an election is made and as a result of such election, SF-US is required to pay any additional U.S. taxes, Investor shall pay to SF-US an amount (the "Election Tax Reimbursement") which, after payment by SF-US of all U.S. federal, state and local tax with respect to the Election Tax Reimbursement, shall be equal to the excess, if any, of (a) the liability for U.S. federal, state and local tax of SF-US with respect to the gain recognized on the transactions contemplated herein, over (b) the liability for the U.S. federal, state and local taxes that SF-US would have incurred with respect to the transactions contemplated herein had such election not been made. For purposes of this Section 4.2, SF-US' U.S. federal, state and local tax liability shall be determined by assuming that each such tax is payable at the maximum rate applicable to corporations for the 1999 tax year, and after taking into account the creditability or deductibility of each such tax with respect to any other such tax and after taking into account, as applicable, any differential between the rate applied to capital gain as opposed to ordinary income. In connection with such an election, the parties shall exchange mutually acceptable Internal Revenue Service forms (and any equivalent state forms) reflecting such allocations which shall be filed with the Internal Revenue Service and any applicable state or local tax authorities.

4.3. Special Debt.

Prior to the Closing, the Company, SF-US, SF-Europe and Investor will determine the Company's obligations for borrowed money indebtedness to parties other than Investor (the "Special Debt"). As of December 31, 1998, the Special Debt equaled approximately $13.3 million. Prior to the Closing, SF-US and SF-Europe shall cause the Company to be released as an obligor with respect to the Special Debt, in a manner that does not create any current tax liability to the Company and is otherwise acceptable to Investor. At or prior to the Closing, SF-US or SF-Europe shall provide Investor with documents satisfactory to Investor evidencing the release of the Company from such debt.

4.4 Intellectual Property Matters.

4.4.(a) Assignment of North American Patents and Product Trademarks and Cross-License of Other Intellectual Property. In consideration for the termination of each of the license agreement dated July 17, 1998 between the Company and Clestra-Europe (the "License Agreement") and the license agreement dated July 17, 1998 between the Company and Investor (the "Steelcase License Agreement") in accordance

with Section 4.4(c) hereof, effective as of the Closing Date, Clestra-Europe and the Company shall enter into an intellectual property assignment agreement described below (the "IP Assignment Agreement") and an intellectual property cross-license agreement also described below (the "Cross-License Agreement"). The IP Assignment Agreement will provide for the assignment by Clestra-Europe to the Company of all of Clestra-Europe's patents, patent applications, product trademarks (and any continuations, continuations-in-part, renewals, reissues or registrations and extensions of the foregoing) issued, registered, or filed in North America and used in the business of the Company as of the Closing Date, including, without limitation, those patents and product trademarks owned by Clestra-Europe and referenced in Exhibits B and C to the License Agreement (the "Assigned IP Rights"). The Cross-License Agreement will provide for (i) the exclusive, perpetual, paid-up license by Clestra-Europe to the Company in North America of any and all of Clestra-Europe's trade secrets, confidential information and know-how already disclosed to the Company by Clestra-Europe and used in the business of the Company in North America as of the Closing Date (collectively, the "Company Licensed Rights") and (ii) the exclusive, perpetual, paid-up license by the Company to Clestra-Europe outside of North America of any and all of the Company's patents, patent applications and trademarks existing as of the date hereof and used in the business of Clestra-Europe outside North America as of the Closing Date, and any and all trade secrets, confidential information and know-how already disclosed by the Company to Clestra-Europe and used in the business of Clestra-Europe outside of North America as of the Closing Date (collectively, the "C-E Licensed Rights"). Clestra-Europe will not have a license to use the C-E Licensed Rights in North America. The Company will not have a license to use the Assigned IP Rights or the Company Licensed Rights outside of North America. The Company acknowledges and agrees that Clestra-Europe's execution and delivery of the IP Assignment Agreement and the Cross-License Agreement will not limit or impair in any way Clestra-Europe's right to use outside North America its related know-how, inventions, technology and product trademarks, or its ability to continue to use in North America its intellectual property related to its Clestra Cleanroom business. Clestra-Europe and the Company acknowledge and agree that the business of the Company includes, without limitation, the distribution and sale of those products referenced in the product brochures attached as Exhibit A to the License Agreement. If at any time following the Closing, the Company shall abandon its use of the product trademarks "Cinerrio" or "Applique," the Company shall, upon written request, transfer and assign such product trademarks back to Clestra-Europe. Each party will agree to maintain the confidentiality of the trade secrets and other confidential information disclosed to it by the other party under the License Agreement and the Cross-License Agreement.

4.4.(b) Continued Use of Trade Names and Trademarks in North America. In consideration for the termination of the License Agreement and the Steelcase License Agreement in accordance with Section 4.4.(c) hereof, effective as of the Closing Date, Clestra-Europe shall also grant to the Company pursuant to the Cross-License Agreement, under customary terms and conditions found in license agreements between non-affiliated parties, (i) an exclusive, paid-up license (including with respect to Clestra-Europe) to use the "Hauserman" and "Clestra Hauserman" trade names and all associated trademarks using the word "Hauserman" throughout North America for a two-year period beginning on the Closing Date, and further providing an agreement by Clestra-Europe not to use such trade names and trademarks in North America during such two-year period, and (ii) a non-exclusive, paid-up license to use the "Clestra" trade

name and trademark throughout North America for a two-year period beginning on the Closing Date to the same extent the "Clestra" trade name and trademark is used on a stand-alone basis in the Company's business as of the date hereof, and further providing an agreement by Clestra-Europe not to use such trade name and trademark in North America for any purpose other than in the phrase "Clestra Cleanroom". In connection with the preparation of the Cross-License Agreement, the parties will agree on the terms and limitations under which, after the expiration of the two-year period described in the immediately preceding sentence, the Company will retain the right to use, for informational purposes only, the "Clestra", "Hauserman" and "Clestra Hauserman" trade names in historical descriptions of the Company or its products.

4.4.(c) Termination of License Agreements. Effective as of the Closing Date, the License Agreement and the Steelcase License Agreement shall be deemed automatically terminated and canceled and the parties thereto shall be deemed to have abandoned all rights thereunder, including any rights provided by the License Agreement and the Steelcase License Agreement in accordance with their terms subsequent to termination. Subject to the terms of the Cross-License Agreement, the parties acknowledge that the termination of the License Agreement and the Steelcase License Agreement and the assignment to the Company of the Assigned IP Rights will not impair or affect in any way (i) the Company's or Investor's ability to compete with Clestra-Europe outside North America to the same extent as Clestra-Europe's other competitors, nor (ii) Clestra-Europe's ability to compete with the Company or Investor in North America to the same extent as the Company's or Investor's other competitors. On or prior to the Closing Date, Investor and the Company shall return to Clestra-Europe any plans, documents, designs, know-how and any other similar documents provided by Clestra-Europe to the Company and/or the Investor which are identified by the parties as being unrelated to the Assigned IP Rights or the Company Licensed Rights.

4.4.(d) Execution of Any Other Documents. The parties hereto agree to cooperate to execute, deliver, file and record any instrument, document or other agreement and take any action that may be necessary to implement the provisions of this Section 4.4.

5. INDEMNIFICATION

5.1. Indemnification of Investor.

SF-Europe and SF-US shall indemnify Investor against and hold Investor harmless from (a) any liability, loss, damage, cost and expense, including, without limitation, reasonable attorneys' fees (collectively, "Losses"), resulting from or arising out of any inaccuracy in or breach of any of the representations and warranties made by SF-Europe, SF-US or Clestra-Europe; and (b) any Losses resulting from or arising out of any breach or nonperformance of any covenant or obligation made or incurred by SF-Europe, SF-US or Clestra-Europe herein. SF-Europe, SF-US and Clestra-Europe do not make and shall not be deemed to have made, nor is Investor relying upon, any representation, warranty or covenant other than those representations, warranties and covenants which are expressly set forth in this Agreement. Investor's sole and exclusive remedy for any breach of any representation or warranty of SF-Europe, SF-US or Clestra-Europe herein shall be to receive indemnification in accordance with

this Section 5. Investor shall be entitled to indemnification only to the extent that the aggregate amount of all Investor's claims for indemnification exceeds $250,000, and then only to the extent the amount of such claims exceeds $50,000. Indemnification payable by SF-US and SF-Europe hereunder shall not exceed an aggregate of $350,000. The foregoing liability limitations shall not apply to claims duly made under this Section 5.1 by Investor based upon SF-US' or SF-Europe's breach of their obligations under Section 4.3 above.

5.2. Indemnification of SF-Europe and SF-US.

Investor shall indemnify SF-Europe and SF-US against and hold SF-Europe and SF-US harmless from: (a) any Losses resulting from or arising out of any inaccuracy in or breach of any of the representations and warranties made by Investor; (b) any Losses resulting from or arising out of any breach or nonperformance of any covenant or obligation made or incurred by Investor herein; and (c) any payments made by SF-US which require Investor to pay to SF-US an Election Tax Reimbursement as provided in Section 4.2 above.. Investor does not make and shall not be deemed to have made, nor is SF-Europe or SF-US relying upon, any representation, warranty or covenant other than those representation, warranties and covenants which are expressly set forth in this Agreement. SF-Europe's and SF-US's sole and exclusive remedy for any breach of any representation or warranty of Investor herein shall be to receive indemnification in accordance with this Article 5. SF-US and SF-Europe shall be entitled to indemnification only to the extent that the aggregate amount of claims by SF-US and SF-Europe for indemnification exceeds $250,000, and then only to the extent the amount of such claims exceeds $50,000. Indemnification payable by Investor hereunder shall not exceed an aggregate of $350,000. The foregoing liability limitations shall not apply to claims duly made under this Section 5.2 by SF-US based upon Investor's breach of any obligation to pay an Election Tax Reimbursement as provided in Section 4.2 above.

6. DOCUMENTS TO BE DELIVERED

6.1. Documents to be Delivered by SF-US.

At the Closing, SF-US shall deliver, or cause the Company to deliver, to Investor the following documents, in each case duly executed or otherwise in proper form:

6.1.(a) Stock Certificate(s). A stock certificate or certificates representing the Shares, duly endorsed for transfer or with duly executed stock powers attached.

6.1.(b) Certified Resolutions. Certified copies of the resolutions of the board of directors of SF-US authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement.

6.1.(c) Special Debt. Documents acceptable to Investor confirming SF-US and SF-Europe's compliance with Section 4.3.

6.1.(d) Intellectual Property Matters. Documents acceptable to Investor confirming Clestra-Europe's compliance with Sections 4.4(a) and 4.4(b).

6.2 Actions Taken and Documents Delivered by Investor.

At the Closing, Investor shall deliver to SF-US the following, in each case duly executed or otherwise in proper form:

6.2.(a) Purchase Price. A wire transfer in the amount of the cash portion of the Purchase Price ($5,200,000).

6.2.(b) Debt Forgiveness. A certificate of an authorized officer of Investor confirming the forgiveness by Investor by of the obligation due to Investor from SF-US in the amount of $1,200,000 pursuant to Section 13 of the Shareholders' Agreement.

6.2.(c) Other Documents. Any documents required to be returned to Clestra-Europe in accordance with the last sentence of Section 4.4(c) hereof.

7. MISCELLANEOUS

7.1. Disclosures and Announcements.

Announcements concerning the transactions provided for in this Agreement by Investor, Company, SF-Europe or SF-US shall be subject to the approval of the other parties in all essential respects, except that approval of the other parties shall not be required as to any statements and other information which any party may submit to the Securities and Exchange Commission or its stockholders or be required to make pursuant to any rule or regulation of the Securities and Exchange Commission or otherwise required by law.

7.2. Expenses.

Except as described in Section 4.1, each of Investor and SF-US shall be responsible for its own cost and expenses incurred in connection with the consummation of the transaction set forth in this Agreement.

7.3. Law Governing Agreement.

This Agreement may not be modified or terminated orally, and shall be construed and interpreted according to the laws of the State of New York, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

7.4. Amendment and Modification.

Investor, SF-Europe, SF-US, Clestra-Europe and the Company may amend, modify and supplement this Agreement only in such manner as is agreed upon in writing among Investor, SF-Europe, SF-US, Clestra-Europe and the Company.

7.5. Notice.

All notices, requests, demands and other communications hereunder shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by an internationally recognized overnight courier service, postage prepaid and addressed to the party to be notified. The respective addresses to be used for all such notices, demands or requests are as follows (except as shall otherwise be designated in accordance with this Agreement).

7.5.(a) If to Investor, to:

Steelcase Inc.
901 – 44th Street, S.E.
Grand Rapids, Michigan 49508
Attention: General Counsel
Facsimile: (616) 246-4068

7.5.(b) If to SF-US, to:

Strafor Facom, Inc.
3535 West 47th Street
Chicago, Illinois 60632
Attention: Dick Dowd
Facsimile: (773) 523-2103

7.5.(c) If to SF-Europe, to:

Strafor Facom S.A.
56 rue Jean Giraudoux
67200 Strasbourg (France)
Attention: Ernest Schmittheisler
Facsimile: (33-3) 88 13 3052

7.5.(d) If to Clestra-Europe, to:

Clestra Hauserman S.A.
56 rue Jean Giraudoux
67200 Strasbourg (France)
Attention: Michel Douay
Facsimile: (33-3) 88 27 6802

7.5.(e) If to the Company, to:

Clestra Hauserman, Inc.
29525 Fountain Parkway
Solon, Ohio 44139-4351
Attention: Lawrence Selig
Facsimile: (440) 498-5022

7.6. Entire Agreement.

This Agreement and the documents referred to herein embody the entire agreement between the parties hereto with respect to the transactions contemplated herein and, without limiting the foregoing, supersedes, cancels and terminates, as of the Closing Date, the Shareholders' Agreement, the License Agreement, the Steelcase License Agreement and the Stock Purchase Agreement among certain of the parties dated July 17, 1998.

7.7. Counterparts.

This Agreement may be executed in original or by facsimile transmission in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.8. Headings.

The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

The parties have executed this Agreement as of the date first above written.

SF-Europe:

STRAFOR FACOM S.A.

By: _____
Name: Ernest Schmittheisler
Title: Chief Financial Officer

SF-US:

STRAFOR FACOM, INC.

By: _____
Name: Ernest Schmittheisler
Title: President and Chief Executive Officer

Clestra-Europe:

CLESTRA HAUSERMAN S.A.

By: _____
Name: Michel Donaff
Title: President and Chief Executive Officer

Investor:

STEELCASE INC.

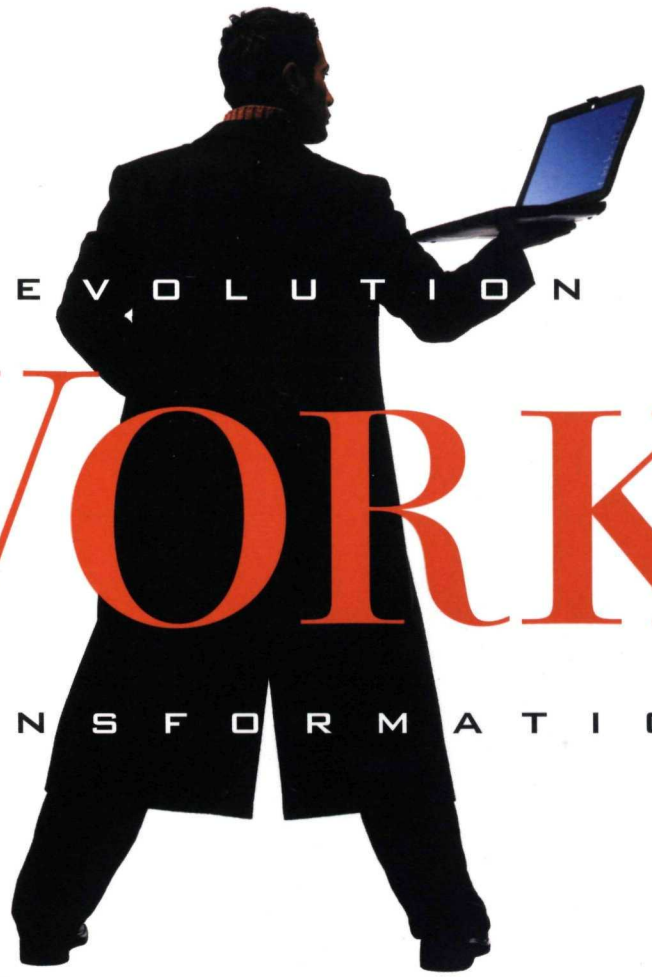
By: A. Rougier-Chapman
Name: Alwyn Rougier-Chapman
Title: Senior Vice President-Finance, Chief Financial Officer and Treasurer

Company:

CLESTRA HAUSERMAN, INC.

By: A. Rougier-Chapman
Name: Alwyn Rougier-Chapman
Title: Treasurer

2000 Annual Report



REVOLUTION

WORK

TRANSFORMATION

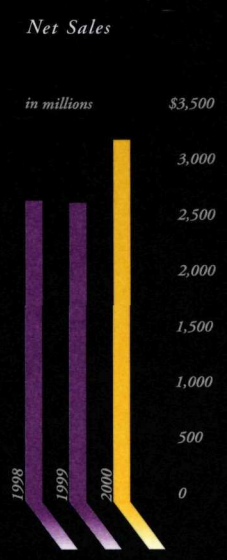
Steelcase

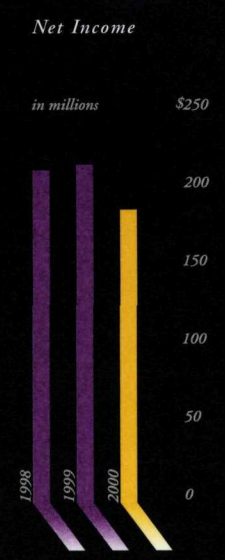
Steelcase Inc.

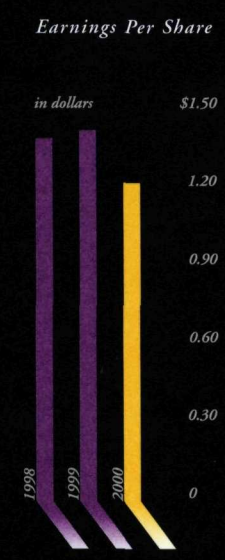
about the cover

Revolution drives transformation

Supported by technology and encouraged by the rewards of successful innovation, people everywhere are working in dramatically new and different ways. They are revolutionaries, and their revolution is helping us achieve our aspiration to "transform the ways people work...to help them work more effectively than they ever thought they could."







From a financial perspective, fiscal year 2000, which ended February 25, 2000, fell short of the year that preceded it. While net sales rose, net income and earnings per share declined.

From an operating perspective though, the year was filled with developments that will have a positive impact on our company's future.

You'll find an in-depth analysis of fiscal year 2000 financial results in the Management's Discussion and Analysis section of this report. I would, however, like to highlight these points:

- Our performance in North America was actually slightly better than our industry's. The Business and Institutional Furniture Manufacturers' Association reported that sales declined one percent industry-wide.

- Impressive sales gains recorded by the European units that we acquired in fiscal year 2000 were tempered by the decline in the value of the euro relative to the U.S. dollar. Their sales rose six percent when measured in their local currencies, but only one percent in dollar terms.

- Our Design Partnership companies posted a 23 percent sales gain, and sales of our Turnstone brand, which serves smaller companies, more than doubled.

- The asset base of Steelcase Financial Services grew 52 percent as more customers chose leasing to finance their purchases.

These gains were offset primarily by the performances of our core Steelcase branded products in North America, due to pricing pressures and soft demand from our larger customers.

Our margins were impacted primarily by these developments:

- Competitive pricing pressures that occur when a market grows slowly.

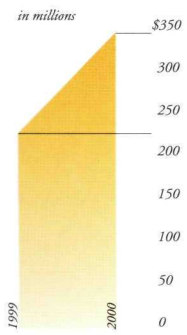
- The expenses involved in completing our acquisition of Strafor.

- A one-time $15 million after-tax charge to cover retrofits at several of our Pathways customers' facilities.

- New product introduction and ramp-up costs.

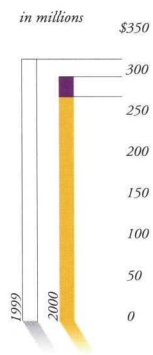
- Investments in creating build-to-order systems – which will enable us to provide better service and greater value to our customers.

Steelcase Financial Services Inc. (SFSI) Leased Asset Growth



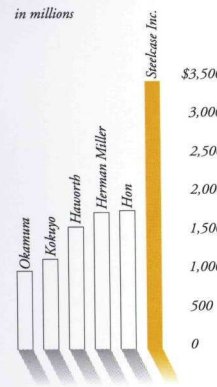
Steelcase has the only captive finance company in the industry. SFSI provides benefits to customers and supports sales growth.

Operating Income



Excluding non-recurring charges (■), operating income would have totaled $296.3 million.

Global Market Position



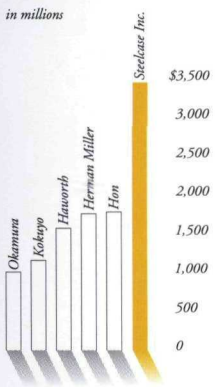
An important competitive advantage: Steelcase's worldwide revenues are nearly double its nearest rivals.

So much for yesterday. Now for tomorrow. When I mentioned earlier that fiscal year 2000 included developments that promise to have a positive impact on our company's future, here's what I had in mind:

- We strengthened our competitive position internationally.
- We strengthened our product portfolio across the company and around the world.
- We attracted a record number of new customers around the world.
- We enjoyed a record number of successful product introductions.
- We implemented a comprehensive e-business strategy throughout the company.
- We held to our commitment to hit the financial targets we set for ourselves 18 months ago (although it may take longer given our industry's tepid near-term growth prospects).

Regarding this last point, in my letter to you a year ago, I outlined four cornerstone corporate strategies. This year, I'd like to share our growth strategies with you as well. They've become our "road map."

Global Market Position



An important competitive advantage: Steelcase's worldwide revenues are nearly double its nearest rivals.

Percent of sales from new customers

Leap: 22%

Pathways: 14%

Answer: 37%

One Corporate Vision

WE ASPIRE TO TRANSFORM THE WAYS PEOPLE WORK... TO HELP THEM WORK MORE EFFECTIVELY THAN THEY EVER THOUGHT THEY COULD.

Leads to Four Corporate Strategies

- BE A WORK EFFECTIVENESS COMPANY
- ACHIEVE OPERATIONAL PERFECTION
- PURSUE AMBITIOUS FINANCIAL GOALS
- LIVE OUR CORE VALUES

Which Lead to Six Growth Strategies

- FOCUS ON PRODUCT INNOVATION
- PURSUE NEW MARKET OPPORTUNITIES
- PURSUE ACQUISITIONS, ALLIANCES & NEW VENTURES
- LEVERAGE OUR GLOBAL PRESENCE
- LEVERAGE OUR DEALER NETWORK
- LEVERAGE OUR INSTALLED BASE

Global Dealer Network

More than

800

dealer locations worldwide.

These six growth strategies define our "Road to Six Billion and Beyond," which is detailed in the next section of this report. Here is a summary.

Steelcase will grow faster than the overall market in North America by:

- Introducing new product and service innovations with proprietary technologies wherever possible (e.g., the Leap™ chair).
- Entering new markets (e.g., the interior architecture-refurbishment market).
- Serving new customer segments (e.g., emerging growth companies via Turnstone® products).
- Launching new businesses.
- Pursuing alliances, new ventures and acquisitions that offer a strategic fit, a cultural fit and material synergies.
- Harnessing the power and potential of the Internet ("e-Steelcase").
- Working with Steelcase dealers to build market share with existing products and services (e.g., our storage products and financial services).
- Using our Workplace Performance and Community-based Planning methodologies to show current customers how improving physical work environments boosts organizational performance.

Steelcase will also increase international revenues significantly by leveraging its global presence and its global dealer network.

Global Dealer Network

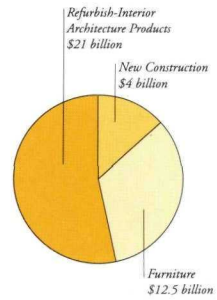
More than

800

dealer locations worldwide.

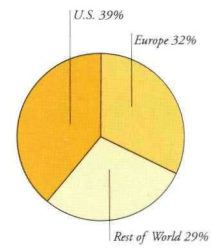
U.S. Market Opportunity $37.5 billion

Interior architecture products enable the company to enter attractive new markets.



Global Office Furniture Market

Sixty-one percent of the $32 billion worldwide market lies outside the U.S.



That's the plan. We will adjust it to take advantage of opportunities as they come along. But its framework is not likely to change. We expect it to deliver two kinds of benefits in the years ahead: higher revenues and better margins.

Before I strike the print key, I want to turn the spotlight on two groups of people who work "behind the curtain."

The people who work in our plants and offices around the world, and the people who work for our dealers around the world.

These men and women "ghost wrote" the customers' stories you'll read later in this report, as well as hundreds more that are just as compelling. They are tremendous sources of strength for our company.

They are our unsung heroes and heroines.

Finally, a personal note. For two decades now, I have admired and benefited from the business acumen and social conscience of a very wise and wonderful man, the Vice Chairman of our Board of Directors, Peter Wege. Peter is stepping down from the board, and plans to devote more of his energies to the causes he champions so ably. I will miss him. He has added to the humanity of our company and our world.

Talk about unsung heroes.

JAMES P. HACKETT
President and Chief Executive Officer

P.S. Given that one of our corporate strategies is to "be a work effectiveness company," I'm often asked just what this means. Just in case you, too, are wondering, here's how I respond:

A work effectiveness company

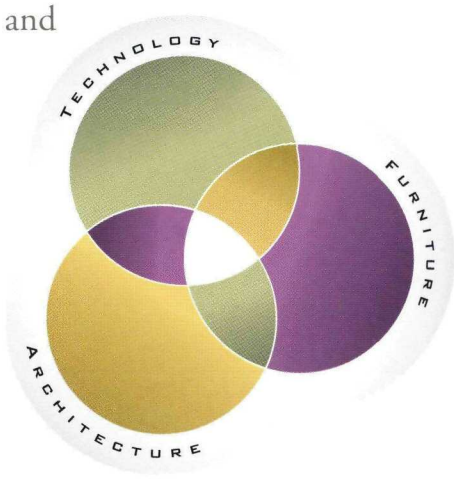
Helps office workers work more effectively.

Helps real estate and facilities executives add to the functional effectiveness and value of the facilities they own and manage.

Helps financial executives increase the returns on their facilities investments.

Helps operating and human resource executives attract and inspire talented, "best of class" employees.

The key to success? Harmonious integration.



The typical work environment includes three core elements: architecture, furniture and technology. A work environment that "transforms the ways people work" integrates these elements...seamlessly, harmoniously.

Harmonious integration. That's the key. And that is what we as a work effectiveness company are all about.

We provide knowledge, products and services that enable our customers and their consultants to create work environments that harmoniously integrate architecture, furniture and technology.

It's that simple.

The Road to Six Billion and Beyond

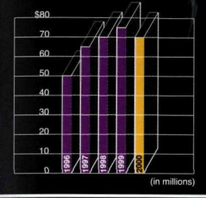
Four Corporate Strategies:

1. Be a work effectiveness company
2. Achieve operational perfection
3. Pursue ambitious financial goals
4. Live our core values

lead to six growth strategies:

Focus on Product Innovation

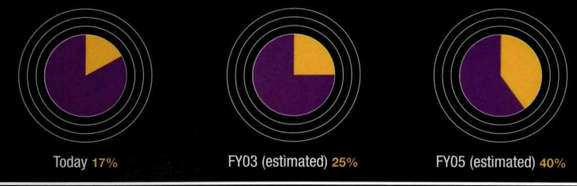
We expect our investments in research and development to yield more new products that seamlessly blend furniture, architecture and technology.



Investments in R&D, FY96 - FY00

Research generates knowledge; knowledge yields innovation.

Percent New Product Contributions to Revenue

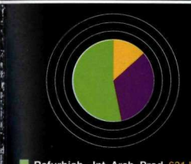


Are these expectations realistic?

Our track record suggests that they are.

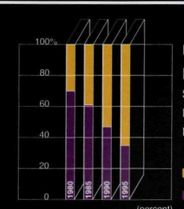
Pursue New Market Opportunities

An increasingly diverse product portfolio enables us to compete in new construction, renovation and emerging growth markets, as well as reach new customer segments within our traditional markets.



A $37.5 Billion U.S. Market Opportunity

Interior architectural products enlarge our market.



U.S. Renovation Market Growth

Rapid technological advances spawn office building renovations that create new markets for our products.

Renovation
New

Emerging growth companies constitute a $500 million market opportunity.

What do we offer these markets?

Extraordinary flexibility: "living walls" that move and whose heights and surfaces can be changed again and again, as well as floors, lighting and furniture that can be reconfigured easily, quickly and affordably.

Pursue Acquisitions, Alliances and New Ventures

Acquisitions completed in the past two years not only added to our revenues, they also added to our capabilities. Ventures and alliances pair our capabilities with those of other industry leaders.

Acquisitions' Contributions to FY00 Revenue*

*The $576 million would have been $750 million had these acquisitions been part of Steelcase for the entire year.

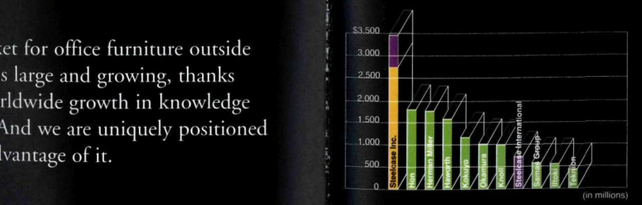
More than revenues...capabilities.

The companies that became part of Steelcase added to our capabilities. For example, Strafor (France) and Werndl (Germany) strengthened our dealer network and our product portfolio everywhere.

Clestra Hauserman brings a variety of reconfigurable wall products to our Pathways® portfolio.

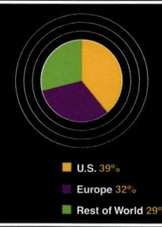
Leverage Global Presence

The market for office furniture outside the U.S. is large and growing, thanks to the worldwide growth in knowledge workers. And we are uniquely positioned to take advantage of it.



Steelcase International 1999 Revenue Comparison

Our international revenues alone would put us among the leading office furniture companies.



The Global Office Furniture Industry

Its sales are approximately $32 billion, and the U.S. accounts for only 39% of it.

Our infrastructure is in place overseas.

- 21 manufacturing facilities
- 4,500 employees
- 400+ dealer locations

We can offer products that reflect local cultures in local currencies at competitive prices.

Leverage Dealer Network

The Steelcase Dealer Network is the industry's largest and most capable... and an important competitive advantage.

The Steelcase Dealer Network

	SIZE	SERVICES
829	NORTH AMERICAN 414	Account Management
	INTERNATIONAL 415	Asset Management
		Design
		Specification
		Order Management
		Installation
		Warranty

How we intend to take full advantage of this network.

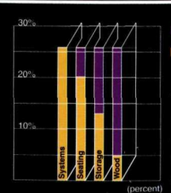
1. By providing our dealers with superior products that attract new customers.
2. By providing Quick Delivery programs that enable dealers to serve customers who "can't wait."
3. By providing training programs that enable dealers to offer integrated interior solutions.
4. By providing financial services that enable our dealers to offer customers a variety of financing arrangements, including leasing.
5. By providing secure online connections that enable our dealers to order, track and bill products and components... and global order fulfillment so they can take better care of their international customers.

Leverage Installed Base

We intend to increase sales to current customers by continuing to offer them new products and services that help their people work more effectively.

$17 billion

Steelcase has the industry's largest installed base. For systems furniture alone, it is estimated at $17 billion.



Potential Penetration
Existing Penetration

The Billion Dollar Opportunity

Increasing seating, storage and wood penetrations to the same level as systems (26%) adds a billion dollars in revenue.

Special Delivery!

Our Quick Delivery programs – which let buyers choose from 9,000 products that are available within 12 days – also expand our reach. Now people who "can't wait" don't have to.

A successful leap.

The Leap™ chair that debuted in June, 1999, is the most successful new chair introduction in the company's history.

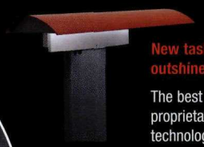
Leap wins new customers.

22% of Leap sales were from new customers.

STEELCASE SURFACES PARTNERSHIP

We have formed a new venture, the Steelcase Surfaces Partnership, comprised of DesignTex and J.M. Lynne. Both provide textiles for any application.

J.M. Lynne's Luxor Group of wall coverings, a NeoCon Gold Award winner.



New task light outshines all rivals.

The best new products contain proprietary, patent-protected technology. The Leap chair is one example; our new Canopy™ task light is another.

It's a "world's first."

Huddleboard™ products, our personal, portable whiteboards that help people on the move record, display and transport information. They're the first of what will be a family of knowledge management devices.

Turnstone attracts new customers.

Our Turnstone® brand products are designed and priced to appeal to people at fast-track, cost-conscious companies who value speed, convenience and price.

37% of Answer® sales were from new customers.

turnstone

IDEO

We also work continuously with our partner IDEO Product Design to enhance our portfolio. IDEO people helped design the Leap chair, the Detour™ family of teamworking products for Metro, and the award-winning Kart™ chair for Vecta.

Alliances, too, are a key component of our plans. We are currently working with The Appliance Studio and others to co-develop technology-enhanced furniture products. Hewlett-Packard is a founding sponsor of the studio.

Case in point.

Our fastest growing seating line in Brazil, Easy, is locally developed and manufactured.

An international leap.

Leap is now being manufactured in France as well as the United States, and sold throughout Asia and Europe.

Information, expertise, products and services flow in every direction.

Steelcase dealers everywhere work with one another to meet customers' global needs. Designers, engineers and plant managers everywhere exchange equipment, processes, procedures and ideas. Order fulfillment is seamless worldwide.

By providing programs that enable our dealers to engage prospective customers in their communities.

HotHouse environments

HotHouse seminars help executives turn their offices into "breeding grounds for innovation."

Our business-to-business strategy could increase our dealers' revenues by as much as 12 percent.

B2B

A popular leap.

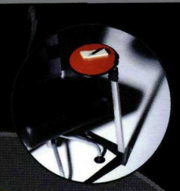
Leap was a hit with existing customers, too (they purchased 78% of all Leap chairs sold).

Keeping up with the ways people actually work.

Our Community-based Planning methodology shows customers how improving physical work environments boosts organizational performance. Customers who take advantage of this methodology often find that it makes sense to invest in new products – particularly Pathways type products that integrate furniture, architecture and technology. They often do this by "mixing and matching." That's why our products are designed to let them migrate to new environments over time.

Sharing our wealth of knowledge.

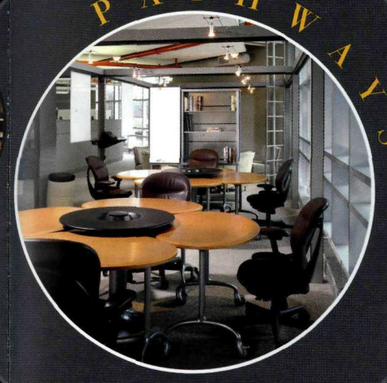
Offering our customers access to our knowledge often prompts them to think about their space in new ways – as an asset, not just an expense.



The Footnote™ table and L'attitude™ chair, two award winners from Brayton International.

Frisco enables European knowledge workers to shift and change their workstation to suit the task at hand.

PATHWAYS



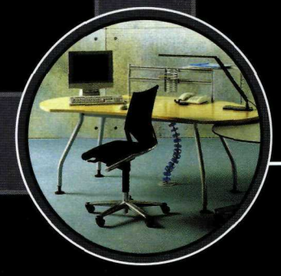
Path.ways (path'ways), n. 1. a portfolio of interior architecture and technology products, furniture and work tools that enable designers to create work environments that offer exceptional flexibility, affordability and user control. 2. an innovation that *transforms an expense (conventional work environments)* into a productive asset.

WORKSTAGE

A new venture a new market opportunity

Workstage™, a new venture with Gale & Wentworth, a leading real estate developer, offers firms a chance to lease or buy Pathways outfitted office space at attractive rates.

AN INTERNATIONAL COLLECTION



gives Steelcase dealers in North America a variety of attractive new products to offer their customers.

STEELCASE FINANCIAL

New services make it easier for customers to get what they want

Quick Delivery programs, leasing alternatives and Workplace Performance evaluation tools, to name three of many.

e-Steelcase

1 A key component of our e-Steelcase strategy involves using the Net to enable boundaryless sharing of information and ideas between Steelcase entities around the world.

2 e-Steelcase turns many of the people who use our products into potential buyers of them.

Our online connections to many of our large corporate customers create an attractive new market opportunity. They enable us to offer Steelcase products directly to their employees around the world, at their companies' contract rates.

3 An agreement with KiSP, Inc., gives Steelcase ownership of an Internet-based tool kit and access to its developers. We've used both to create online links between our customers and their dealers.

4 Thanks to e-Steelcase, dealers, designers, engineers and plant managers everywhere can exchange policies, processes, procedures and ideas almost instantly.

5 Our global dealer network gives Steelcase something others are investing millions to create: the ability to effectively fulfill orders and provide ongoing customer service.

6 e-Steelcase lets customers get what they want in "Internet time."

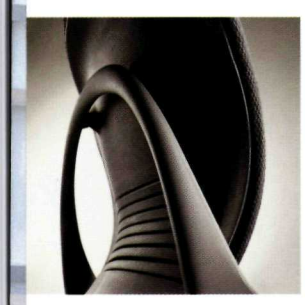
A Pathways® configuration engine lets them do in minutes what once took hours...with 100 percent accuracy. Visual specification tools support our entire product line (90,000 style numbers!).

The Six Growth Strategies Illustrated

An idle factory + Pathways products + a little imagination = a good illustration of the harmonious integration of architecture, furniture and technology.

SEATTLE, WASHINGTON

Democracy in action!



Many organizations say they value their employees. Attachmate — a Bellevue, Washington-headquartered leading provider of host access management and e-business solutions — demonstrates it by inviting employees to participate in corporate decision-making.

So when Heidi Jung, director of corporate services, began planning for a new facility, she naturally turned to her colleagues for input. She asked them to evaluate four different task chairs, for example, and then to cast their votes in a "winner-take-all" election...which our new Leap chair won. Heidi also responded to her colleagues' desires for "scribbling places" by giving each of them one of our new Huddleboards™ and covering the facility with our mobile easels.

Other Steelcase products include: mobile Activity tables; Answer and Context® workstations; Protégé®, Rally® and Player® chairs; and Brayton International lounge tables and chairs.

It all adds up to a wonderfully comfortable, supportive work environment. Small wonder that a Washington CEO Magazine study found Attachmate to be the state's best large company to work for. □

action!

provider of host access
n-making.

She asked them to evaluate
eidi also responded to
ur mobile easels.

ayton International

d Attachmate

The Year 2000 revolution at The Callaway Golf Ball Company.

2000

Chairman Ely Callaway had promised the golfing world that Callaway Golf would introduce a revolutionary new golf ball in year 2000. To fulfill this promise, the company had to design the product from scratch. They hired experts from around the world and built a new, state-of-the-art facility that emphasized creativity, teamwork, communication, collaboration and flexibility.

The Callaway golf ball team not only had to move quickly, they also had to be able to turn on a dime and "plug and play" wherever they happened to be. Pathways – with its flexibility, access to computing and communications technologies, reconfigurable walls and mobile furniture – provided the tools that the team needed to do just that... and that the company needed to meet both its short- and long-range goals for the new facility.

The new ball made a successful debut right on time. □

MUMBAI, INDIA

Workstations from France.
Tables from England.
Chairs from the United States.

Destination: Mumbai.

Reliance Industries, headquartered in Mumbai (formerly Bombay), is one of India's proudest and most successful enterprises. Its founder, Mr. Dhirubhai Ambani, was named India's "Businessman of the Century," and his two sons, Mr. Mukesh Ambani and Mr. Anil Ambani, are building on his achievements, expanding this integrated energy refining company beyond India's borders into markets around the world.

Reliance turned to Steelcase to help outfit its new headquarters, The Reliance Centre. The assignment: a high-performance work environment that would give the staff all the support they needed to help the company attain its ambitious goals.

Steelcase responded by tapping its own global capabilities: TNT workstations and Please and Arpeggio chairs from its Strafor unit in France; conference tables from its Gordon Russell unit in England; Sonata™ chairs from its Turnstone unit in the U.S.; and La Costa® chairs from Brayton International, a U.S.-based Steelcase Design Partnership company.

And Mumbai gained another state-of-the-art workplace. □

Steelcase

Once, the
illustrious
different f
Santiago a
another by

Today, th
campus

Steelcase dealer helps his nation's airline take wing.

Steelcase dealer, Luis Fernando Moro.

Once, the headquarters employees of Chile's illustrious Lan Chile airline worked in several different facilities in different parts of the Santiago area and communicated with one another by fax and phone.

Today, they all work at a three-building campus near the Santiago International Airport, and they do most of their communicating face-to-face – with significant boosts in morale and productivity.

The move was part of Chief Executive Officer Mr. Enrique Cueto's comprehensive program to re-energize the airline, and he enlisted Steelcase dealer Luis Fernando Moro to help.

Together with a team of architects, they created bright, airy work environments that include Montage® and Avenir® workstations; Rally, Protégé and Criterion® chairs; and a variety of products from Steelcase Design Partnership companies.

And Lan Chile is flying higher than ever. □

STEVENAGE, ENGLAND

Nowhere is the cliché "time is money" more literally true than in the pharmaceutical industry. The race to create patentable new drugs is an endless sprint.

Revolutionary laboratory promises better medicines faster.

In an attempt to pick up the pace, Glaxo Wellcome executives in Stevenage, England, decided to break with tradition. They created a laboratory that positioned chemists, biologists and computer technicians side by side rather than in separate facilities, so they could save time by working together. But would they? Fortunately for all of us, the answer is a resounding "Yes!"

This "Flexi Lab" features specially modified TNT™ wave desks from Strafor and flat screen computer monitor arms from Details, a Steelcase Design Partnership company. Tyndale Solutions, one of England's largest Steelcase dealers, helped design the space. □

"A 21st cent
21st century

CAIRO, EGYPT

"A 21st century company needs a 21st century work environment."

ory promises
r.

Mobinil is a pioneer. A Cairo-based provider of mobile telephone lines and equipment, this two-year-old company has set new standards in serving customers, and has established the largest, most advanced customer center in the Middle East.

Mobinil's Chief Executive, Osman Sultan, understands how much high-performance work environments can contribute to a company's success – especially a company that has to attract, support and inspire exceptional people to continue its rapid growth.

In the case of Mobinil, this meant creating work environments in the company's new headquarters that could be reconfigured quickly in response to the company's growth; that provided easy access to computing and communications technologies; and that had a contemporary look and feel.

The company worked with Steelcase's Cairo dealer, Living In Interiors, and chose products from Steelcase's U.S. operations to meet these needs: Avenir® workstations; Surprise™ and Sonata™ chairs; tables from Steelcase Wood; and Mask™ and Tonga™ from Brayton International for conference rooms.

Its work environments now reflect its dynamism. □

2000

Financial H

STATEMEN

Net sales
Net sales incr
Gross profit
Gross profit –
Operating inc
Operating inc
Net income
Net income –

EARNINGS

Net income
Weighted ave
Dividends pe

BALANCE

Working Cap
Assets
Long-term de
Liabilities
Shareholders'

STATEMEN

Net cash prov
Depreciation
Capital expen
Dividends pa

(1) During 1997, th
(2) During 1998, th
(3) Includes Steelcas

Financial Highlights

(in millions, except per share data)

	5-Year Compound Annual Growth Rate	February 25, 2000 [3]	February 26, 1999	February 27, 1998	February 28, 1997 [1]	February 23, 1996	February 28, 1995
STATEMENT OF INCOME DATA							
Net sales	10.1%	**$ 3,316.1**	$ 2,742.5	$ 2,760.0	$ 2,408.4	$ 2,155.9	$ 2,048.7
Net sales increase (decrease)		**20.9%**	(0.6)%	14.6%	11.7%	5.2%	13.0%
Gross profit	13.1%	**$ 1,102.7**	$ 989.4	$ 1,003.4	$ 856.8	$ 687.7	$ 596.9
Gross profit – % of net sales		**33.3%**	36.1%	36.4%	35.6%	31.9%	29.1%
Operating income	28.3%	**$ 271.8**	$ 317.2	$ 317.4	$ 141.6	$ 163.6	$ 78.2
Operating income – % of net sales		**8.2%**	11.6%	11.5%	5.9%	7.6%	3.8%
Net income	23.5%	**$ 184.2**	$ 221.4	$ 217.0	$ 27.7	$ 123.5	$ 64.2
Net income – % of net sales		**5.6%**	8.1%	7.9%	1.2%	5.7%	3.1%
EARNINGS PER SHARE (BASIC AND DILUTED)							
Net income		**$ 1.21**	$ 1.44	$ 1.40	$ 0.18	$ 0.80	$ 0.42
Weighted average shares outstanding		**152.8**	153.8	154.8	154.7	154.6	154.6
Dividends per share of common stock [2]		**$ 0.44**	$ 0.41	$ 1.36	$ 0.27	$ 0.26	$ 0.21
BALANCE SHEET DATA							
Working Capital		**$ 200.1**	$ 290.6	$ 355.1	$ 474.6	$ 475.6	$ 476.4
Assets		**$ 3,037.6**	$ 2,182.5	$ 2,007.2	$ 1,922.1	$ 1,884.5	$ 1,761.8
Long-term debt		**$ 257.8**	—	—	—	—	—
Liabilities		**$ 1,475.4**	$ 682.5	$ 674.8	$ 542.1	$ 490.9	$ 459.6
Shareholders' Equity		**$ 1,562.2**	$ 1,500.0	$ 1,332.4	$ 1,380.0	$ 1,393.6	$ 1,302.2
STATEMENT OF CASH FLOW DATA							
Net cash provided by operating activities		**$ 305.7**	$ 359.9	$ 402.7	$ 126.7	$ 264.1	$ 102.4
Depreciation and amortization expense		**$ 141.8**	$ 107.0	$ 95.3	$ 93.4	$ 92.5	$ 97.0
Capital expenditures		**$ 188.8**	$ 170.4	$ 126.4	$ 122.0	$ 104.6	$ 94.8
Dividends paid [2]		**$ 67.3**	$ 63.1	$ 210.9	$ 41.8	$ 39.8	$ 32.3

(1) During 1997, the Company concluded a 17-year patent litigation which, net of reserves, reduced net income by $123.5 million.

(2) During 1998, the Company paid a special dividend in the aggregate amount of $150.9 million, or approximately $0.97 per share of common stock. See Note 4 to the Consolidated Financial Statements.

(3) Includes Steelcase Strafor. See Note 19 to the Consolidated Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company recorded net sales of $3,316.1 million for fiscal 2000 ("2000") an increase of 20.9% over fiscal 1999 ("1999") net sales of $2,742.5 million, primarily attributable to the acquisition of Steelcase Strafor S.A. and subsidiaries ("Steelcase Strafor") and other domestic acquisitions. The Company consolidated the results of Steelcase Strafor for the final three quarters of 2000 after completing the acquisition of the remaining 50% equity interest in Steelcase Strafor on April 22, 1999. The acquisition was effective as of March 31, 1999 and has been accounted for under the purchase method of accounting in the accompanying consolidated financial statements as of February 25, 2000. The Company accounts for the results of operations of Steelcase Strafor on a two month lag. Excluding the impact of all acquisitions, the Company recorded net sales of $2,739.5 million for 2000, a decrease of 0.1% over 1999 net sales.

The Company recorded consolidated net income for 2000 of $184.2 million, or $1.21 per share (basic and diluted), which included a $15.0 million after-tax charge for material and installation costs associated with Pathways product line improvements. The earnings for 2000 decreased 16.8% from the $221.4 million, or $1.44 per share (basic and diluted), earned in 1999. In addition to the Pathways charge discussed above, the decrease in profitability was attributable to several factors which occurred during 2000 including:

- An unfavorable industry-pricing environment.
- The impact of new products – which typically have lower initial margins – in the sales mix.
- Major new product introduction and ramp up costs.
- The expected dilutive effect of the acquisition of Steelcase Strafor (approximately $.04 per share) due to the amortization of intangibles that resulted from the acquisition, as well as financing and interest costs arising from credit facilities used to fund the acquisition.

RESULTS O

The following

Year Ended
Net sales
Cost of sales
Gross profit
Selling, genera
Operating inc
Interest expen
Other income,
Income before and equity i and dealer t
Provision for i
Income before of joint vent
Equity in net i and dealer t
Net income

n/m = not meaningful

Results of Operations

The following table sets forth consolidated statement of income data as a percentage of net sales for 2000, 1999 and 1998.

				Increase (Decrease)	
Year Ended	**Feb 25, 2000**	*Feb 26,1999*	*Feb 27,1998*	**2000 vs 1999**	*1999 vs 1998*
Net sales	**100.0%**	100.0%	100.0%	**20.9%**	(0.6)%
Cost of sales	**66.7**	63.9	63.6	**26.3%**	(0.2)%
Gross profit	**33.3**	36.1	36.4	**11.5%**	(1.4)%
Selling, general and administrative expenses	**25.1**	24.5	24.9	**23.6%**	(2.0)%
Operating income	**8.2**	11.6	11.5	**(14.3)%**	(0.1)%
Interest expense	**(0.5)**	—	—	**n/m**	n/m
Other income, net	**1.2**	0.7	0.8	**100.5%**	(10.6)%
Income before provision for income taxes and equity in net income of joint ventures and dealer transitions	**8.9**	12.3	12.3	**(12.2)%**	(0.8)%
Provision for income taxes	**3.4**	4.5	4.7	**(7.5)%**	(4.6)%
Income before equity in net income of joint ventures and dealer transitions	**5.5**	7.8	7.6	**(14.9)%**	1.6%
Equity in net income of joint ventures and dealer transitions	**0.1**	0.3	0.3	**(62.9)%**	12.7%
Net income	**5.6%**	8.1%	7.9%	**(16.8)%**	2.0%

n/m = not meaningful

Management's Discussion and Analysis of Financial Condition and Results of Operations

Net sales

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, *Disclosure about Segments of an Enterprise and Related Information,* the Company operates on a worldwide basis within three reportable segments, two of which are geographic furniture segments, and services and other businesses. In prior years, the Company has reported the two geographic furniture segments as being the U.S. and International/Canada combined. Due to the acquisition of the remaining 50% equity interest in Steelcase Strafor and the significant impact of this acquisition on the Company's consolidated financial statements, the Company has implemented a new reporting structure which focuses separately on North American and International furniture operations. North America includes the U.S., Canada and the Steelcase Design Partnership ("SDP"). International includes the rest of the world, with the major portion of the operations located in Europe. The services and other businesses segment remains largely unchanged, with only insignificant reclassifications (see Note 18).

The following table sets forth consolidated and pro forma worldwide net sales by segment for 2000, 1999 and 1998. The segment disclosures for 1999 and 1998 have been restated to reflect the Company's new reporting structure noted above.

(in millions)

				Increase (Decrease)	
Year Ended	**Feb 25, 2000**	*Feb 26,1999*	*Feb 27,1998*	**2000 vs 1999**	*1999 vs 1998*
North America	**$ 2,606.4**	$ 2,511.3	$ 2,495.7	**3.8%**	0.6%
International (1)	**573.2**	115.3	138.4	**n/m**	(16.7)%
Services and other businesses	**136.5**	115.9	125.9	**17.8%**	(7.9)%
Consolidated net sales	**$ 3,316.1**	$ 2,742.5	$ 2,760.0	**20.9%**	(0.6)%
Steelcase Strafor (1) (2)	**148.3**	506.9	468.6	**n/m**	8.2%
Worldwide net sales (1)	**$ 3,464.4**	$ 3,249.4	$ 3,228.6	**6.6%**	0.6%

(1) Worldwide net sales include, on a pro forma basis, the Company's consolidated net sales plus those of its unconsolidated operations in Steelcase Strafor. Because of the acquisition date, Steelcase Strafor's sales for 2000 have been consolidated (and are included in International) for the last nine months, with only the first quarter of 2000 being unconsolidated. Full year sales for 1999 and 1998 were unconsolidated and included in the Steelcase Strafor line item above. Net sales of all other unconsolidated joint ventures and dealer transitions are not material. See Notes 8 and 19 to the Consolidated Financial Statements.

(2) In local currency, Steelcase Strafor net sales increased 6.1% in 2000, 9.8% in 1999 and 19.1% in 1998.

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(in millions)

Increase (Decrease)	
1999	*1999 vs 1998*
.8%	0.6%
n/m	(16.7)%
.8%	(7.9)%
.9%	(0.6)%
n/m	8.2%
6.6%	0.6%

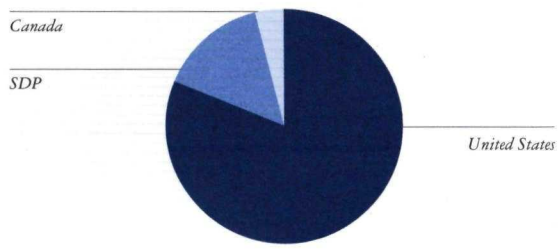
isition date, Steelcase Strafor's for 1999 and 1998 were and 19 to the Consolidated

The Company's consolidated net sales in 2000 posted a 20.9% increase over 1999 net sales, primarily from the acquisition of Steelcase Strafor and other domestic acquisitions. Excluding the impact of all acquisitions, the Company's net sales in 2000 decreased 0.1% compared to 1999 net sales. During 1999 and 1998, the Company's consolidated net sales did not include those of Steelcase Strafor and therefore, more closely resembled those of the U.S. office furniture industry. In 1999, the Company, along with the U.S. office furniture industry overall, experienced a slowdown in its growth. The Company posted flat sales for the year, lagging U.S. industry growth as reported by The Business and Institutional Furniture Manufacturers' Association ("BIFMA"). For 1998, the Company's consolidated net sales outpaced the industry, increasing by 14.6%.

North America. North American sales grew at 3.8%, 0.6% and 16.2% for 2000, 1999 and 1998, respectively. Domestic acquisitions, along with strong SDP sales and an increased momentum in new product sales, provided the bulk of the sales increase across North America in 2000. New product sales doubled their run rates in 2000 over 1999. The sales of the Company's core Steelcase branded products in North America followed the industry trends in 2000, as sales for the full year declined. Excluding the impact of acquisitions, North American net sales for 2000 increased 0.2%, which is comparable to fiscal 1999 levels, despite an overall decline in the industry of 1%.

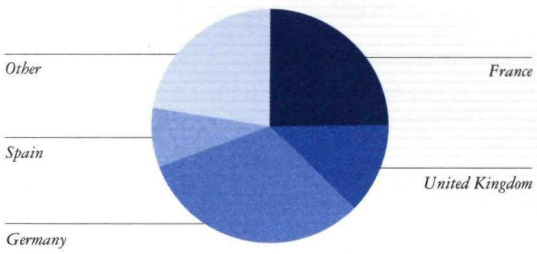
North American net sales growth in 1998 resulted primarily from increases in unit sales across most product categories reflecting strong industry fundamentals. In 1999, the industry began to soften due to financial volatility in Asian and Latin American markets, which, along with a high level of merger and acquisition activity within the U.S. Fortune 500 companies, contributed to the lack of sales growth. As the industry softened in 1999, the Company's core Steelcase branded products in North America were impacted by the deferred spending actions within the Company's large corporate account business, resulting in declines across the same product categories that benefited from a strong industry in 1998.

North American Sales by Operation



International. In 2000, due to the effective date of Company's acquisition of the remaining 50% interest in Steelcase Strafor, the International segment includes nine months of Steelcase Strafor net sales. Steelcase Strafor realized local currency growth of 6.1% in 2000 primarily driven by Werndl BüroMöbeL AG ("Werndl"). However, the devaluation of the euro throughout 2000 offset most of the local currency growth, resulting in 1% growth in U.S. dollars. Net sales outside of Europe declined by 4.0% during 2000, primarily due to a decline in the Company's export business coupled with the adverse impact of currency devaluation in Brazil, offset by growth in Mexican operations. In 1999, the International segment decreased by 16.7% due to several factors including a reduction in export projects to Latin America and flat sales in Asia, as well as the reorganization of the Company's Japanese subsidiary. In 1998, the International segment experienced growth of 9.3% due to strong export sales to both Latin America and the Middle East.

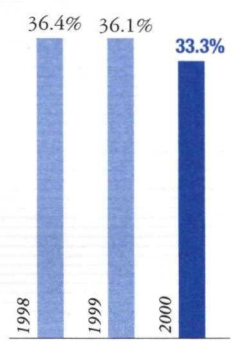
Steelcase Strafor Net Sales by Country



Services and other businesses. Services and other businesses rose by 17.8% in 2000 after experiencing a decline of 7.9% in 1999. The 2000 sales were positively impacted by growth in IDEO, the Company's subsidiary that provides product development and innovation services. The decline in 1999 was due to the disposal of a product line and distributor within the Company's marine business at the end of the third quarter of 1998. Net sales for 1998 were virtually flat.

Gross profit

Gross Profit Margins



The Company's gross profit as a percentage of sales decreased in 2000 from 36.1% to 33.3% after a slight decrease in 1999 from the 1998 level of 36.4%. The Company's warranty policy offers a lifetime warranty on Steelcase brand products, subject to certain exceptions, which provides for the free repair or replacement of any covered product or component that fails during normal use because of a defect in design, materials or workmanship. In accordance with this policy, the Company recorded a $24.5 million pre-tax charge for expenses related to the field retrofit of beltways and insulation materials within installed Pathways products. Excluding this charge, the Company's gross margin was 34.0% which was a decrease of 2.1 percentage points from the prior year. This margin decline during 2000 was primarily the result of the unfavorable industry-pricing environment, the impact of new products – which typically have lower initial margins – in the sales mix and major new product introduction and ramp up costs. Additionally, the Company experienced the expected margin decrease of approximately 0.5 percentage points with the consolidation of Steelcase

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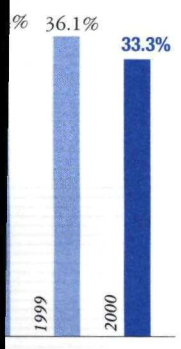

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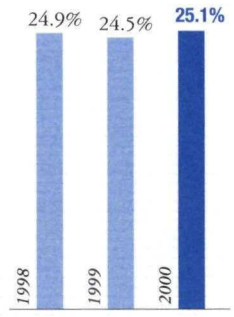
Strafor, which has historically had lower margins. The overall decrease in gross margin for 2000 was partially offset by lower variable compensation.

In 1998 and 1999, margins remained relatively flat as the Company's continued efforts to reduce costs and to improve efficiencies were tempered by upfront investments required to fund cost-reduction efforts to be realized in future periods, as well as the expected disruptions and inefficiencies associated with the Company being in the midst of launching the largest product portfolio in its history.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses as a percentage of net sales increased to 25.1% in 2000 from 24.5% in 1999 after decreasing from 24.9% in 1998. Overall SG&A ratios were impacted by Steelcase Strafor, including increased intangible amortization, write-off of bad debts in the United Kingdom and costs associated with the consolidation of German operations. Excluding Steelcase Strafor, SG&A expense held flat at 24.5% reflecting management's cost containment and resource redeployment efforts. During the three-year period, investments in information systems and new product research, development and launch costs have been significant. However, the Company has been focused on the redeployment of resources in support of its strategic initiatives. In addition, a reduction in variable compensation contributed to the achievement of the current year's 24.5% operating expense ratio, excluding the impact of Steelcase Strafor.

Operating Expenses



In 1998, the Company reported that selling, general and administrative costs included aggregate costs of $11.0 million relating to the restructuring of a foreign subsidiary, the relocation of a showroom facility, the initial public offering and receipt by the Company of a net litigation settlement in the amount of $9.8 million. There were no similar costs or litigation settlements of a material nature in 1999.

Interest expense; Other income, net and Income taxes

2000 was impacted significantly by the acquisition of Steelcase Strafor, which was partially financed through short and long-term borrowings. Interest expense increased to $15.9 million from zero in 1999 and $1.7 million in 1998 as a result of the acquisition of Steelcase Strafor. Overall, other income, net did not vary significantly during 1998 and 1999. However, other income, net increased significantly in 2000 due to several gains. First, the Company recognized a gain of $7.5 million in connection with the transition of its customers to new dealers in the United Kingdom, with respect to which the Company had previously written off bad debts. Second, the Company recorded a gain of $10.0 million from the sale of certain non-income producing facilities. Finally, the Company recorded investment income of $7.0 million from the sale of investments in common stock. The above mentioned gains were offset by decreased interest income of $6.6 million in 2000 due to lower cash balances. Also, 1999 included $5.8 million of interest income recorded in connection with the favorable resolution of income tax litigation discussed below.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Income tax expense as a percentage of income before taxes ("the effective tax rate") approximated 39.0% in 2000, 37.0% in 1999 and 38.5% in 1998. During 2000, the effective tax rate increased because of the consolidation of Steelcase Strafor and the recording of non-deductible goodwill. Steelcase Strafor operations are located in Europe, whose countries typically have higher effective tax rates than the U.S. During 1999, the provision for income taxes benefited from the favorable resolution of income tax litigation dating back to 1989, primarily related to investment tax credits and accelerated depreciation on the Company's Corporate Development Center. The resolution of these matters contributed to a reduced effective tax rate for 1999 and resulted in the recognition of interest income of $5.8 million in 1999. These tax matters increased 1999 consolidated net income by $6.2 million, or $0.04 per share (basic and diluted).

Net income

For the reasons set forth above, net income decreased from $221.4 million in 1999 to $184.2 million in 2000 after increasing from $217.0 million in 1998. Net income decreased 16.8% in 2000 after increasing by 2.0% in 1999 and 43.5% in 1998.

Liquidity and Capital Resources

Historically, the Company's cash and capital requirements have been satisfied through cash generated from operating activities. The Company's financial position at February 25, 2000 included cash, cash equivalents and short-term investments of $88.6 million, which is slightly higher than the $76.1 million which existed on February 26, 1999. These funds, in addition to cash generated from future operations and available credit facilities, are expected to be sufficient to finance the known or forseeable future liquidity and capital needs of the Company.

Through February 1999, the Company had no long-term debt. However, with the acquisition of Steelcase Strafor and management's intent to leverage the significant financial resources available to the Company to meet its growth objectives, the Company has obtained long-term debt financing from bank syndicates in Europe and the United States. The Company is currently in the process of obtaining a debt rating to further utilize its available financial resources. Total debt at February 25, 2000 aggregated $466.8 million, which was approximately 23% of total capitalization of the Company. The Company also holds $483.1 million of interest bearing assets predominantly through its finance subsidiary, Steelcase Financial Services Inc.

Cash provided by operating activities

Cash provided by operating activities totaled $305.7 million in 2000, $359.9 million in 1999, and $402.7 million in 1998. The operating cash flows have been impacted by a reclassification within the cash flow statement. The Company has reclassified the change in leased assets to the investing portion of the cash flow statement, which is consistent with the Company's allocation of resources to its captive finance operation and industry practice for finance subsidiaries. The cash provided by operations resulted primarily from net income excluding non-cash charges such as depreciation and amortization, net of increases in accounts receivable and inventories and prepaids. The consolidation of Steelcase Strafor increased working capital in 2000. However, management continues to closely monitor the Company's inventories and accounts receivable, attempting to maximize the number of inventory turns per year and minimize the impact of increasing international receivables, which typically have longer payment terms than domestic dealers.

Cash used in investing activities

Cash used in investing activities totaled $514.6 million in 2000, $342.2 million in 1999 and $219.2 million in 1998. The increases have resulted from increases in capital expenditures and leased assets, joint venture transactions and corporate acquisitions.

The Company's capital expenditures were $188.8 million in 2000, $170.4 million in 1999 and $126.4 million in 1998, reflecting investments in excess of depreciation for each of the last three years. Capital expenditures continue to include increased investments in manufacturing equipment, information systems and facilities. Collectively, these investments are expected to improve productivity and safety, increase capacity, decrease the impact on the surrounding environments in which the Company operates and facilitate the launch of new products. The Company expects capital expenditures in fiscal 2001 to equal or exceed 2000 levels due to the planned construction of a new wood manufacturing facility and the continued investment in new product development, information systems and corporate and showroom facilities. The Company expects to fund these capital expenditures primarily through cash generated from operations.

The Company continues to invest in its leasing portfolio, which includes both direct financing and operating leases of office furniture products. The Company's net investment in leased assets increased from $228.9 million as of February 26, 1999 to $349.1 million as of February 25, 2000. The Company expects to fund future investments in leased assets primarily through its lease receivables transfer facility and through cash generated from operations.

Joint venture transactions in the three-year period include the issuance of a note receivable to Steelcase Strafor in 1999 in the amount of $66.4 million to equalize lending levels between the Company and its partner, Strafor Facom S.A., and to fund in part the acquisition of Werndl by Steelcase Strafor.

Corporate acquisitions in 2000, aggregating $209.6 million, reflect the complete ownership of Steelcase Strafor, Clestra Hauserman and a significant dealer. Corporate acquisitions in 1999, aggregating $57.2 million, reflect the complete ownership of J.M. Lynne and the partial ownership of Microfield Graphics, Clestra Hauserman and the Modernform Group Public Company Limited. See Note 19 to the Consolidated Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Cash provided by (used in) financing activities

Cash provided by (used in) financing activities totaled $219.4 million in 2000, ($53.3) million in 1999 and ($254.4) million in 1998, reflecting dividends paid, certain common stock transactions and proceeds from the issuance of debt, net of repayments.

Management continues to evaluate the optimal capital structure for the Company in light of its long-term growth strategies. At the time of the above mentioned acquisition of Steelcase Strafor, the Company established a 364-day unsecured committed $200 million revolving credit facility. Subject to certain conditions, the facility is renewable annually for additional 364-day periods. The Company also established a $200 million lease receivables transfer facility. Subject to certain conditions, the facility is renewable annually, with borrowings on the facility scheduled to mature in accordance with the terms of the underlying leases.

Additionally, the Company has an unsecured, committed credit facility of EUR 200 million from bank syndicates in Europe to provide liquidity and finance capital expenditures for its European operations. The agreement is comprised of two tranches: Tranche A is a EUR 75.0 million, 364-day revolving facility, and Tranche B is a EUR 125.0 million, five-year term facility.

Annual dividends per share of common stock were $0.44 in 2000, $0.41 in 1999 and $0.39 in 1998. In addition, the Company paid a special dividend in 1998 in the aggregate amount of $150.9 million, or approximately $0.97 per share of common stock.

During 1999, eligible employees purchased shares of Class A Common Stock pursuant to the terms of the Employee Discount Option Grant, resulting in proceeds to the Company of $24.8 million. The shares for this grant, along with the shares for the Employee Stock Grant issued in 1998, were purchased by the Company from the selling shareholders in the initial public offering for $43.5 million. Under a three million share repurchase program authorized by the Board of Directors on June 17, 1998 and amended on September 22, 1999 for an additional three million shares, the Company repurchased 1,373,870 and 794,300 shares of Class A Common Stock for $18.4 million and $15.0 million in 2000 and 1999, respectively, and 1,086,400 Class B shares for $18.3 million in 2000. Management anticipates that the stock repurchase program will not reduce the Company's tradable share float in the long run as it expects that Class B Common Stock will continue to convert to Class A Common Stock over time.

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Year 2000

Beginning in 1994, the Company actively engaged in replacing or modifying all business software applications as well as manufacturing and other equipment with embedded technology that could fail or generate erroneous results as a result of Year 2000 date processing ("Year 2000 issues") issues affecting Steelcase Inc. and most other companies. Prior to December 31, 1999, the Company completed the modification or replacement of all critical business applications, technical infrastructure components and manufacturing equipment, as well as contingency and business continuity planning activities for critical business processes within the Company.

As of this filing, there have been no Year 2000 issues reported or discovered that would be expected to have a material impact on the Company's operations or future results of operations.

Costs incurred through the date of this filing specifically to address Year 2000 issues approximated $18 million. Management views the process of assessing and remediating Year 2000 issues as an on-going effort which will require continued focus, testing and verification throughout calendar year 2000. However, no material future expenditures are anticipated.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing sovereign currencies and the euro. There will be a transition period from January 1, 1999 through January 1, 2002, at which time all legal tender will convert to the euro. The transition period is anticipated to resolve difficulties in handling local currencies and the euro simultaneously, while remaining flexible to the market. The Company's primary exposure to the euro conversion is concentrated in Steelcase Strafor. Steelcase Strafor has created an internal Euro Committee, a pan-European multifunctional team whose goal is to determine the impact of this currency change on products, markets and information systems. Based on the Euro Committee's work to date, the Company does not expect the euro conversion to have a material impact on Steelcase Strafor's financial position, or on the Company as a whole.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor Provision

There are certain forward-looking statements under the Liquidity and Capital Resources, Year 2000, and Euro Conversion sections, particularly those with respect to the Company's future liquidity and capital needs, future capital expenditures, conversion of Class B common shares to Class A common shares, the expected ability of and costs to the Company and its key customers, dealers and suppliers to successfully manage Year 2000 issues, and the impact of the euro conversion on the financial position of Steelcase Strafor and the Company. Such statements involve certain risks and uncertainties that could cause actual results to vary from stated expectations. The Company's performance may differ materially from that contemplated by such statements for a variety of reasons, including, but not limited to, competitive and general economic conditions domestically and internationally; currency fluctuations; changes in customer order patterns; the success of new products and their continuing impact on the Company's manufacturing processes; the Company's ability to improve margins on new products, to successfully integrate acquired businesses, to reduce costs, including ramp up costs associated with new products, and to successfully implement technology initiatives; the impact on the Company's business due to internal systems or systems of suppliers, key customers, dealers and other third parties adversely affected by Year 2000 issues; costs, including claims, due to Year 2000 issues and remediation efforts; the impact of the euro conversion, the sufficiency of the reserve established with regard to material and installation costs associated with Pathways product line improvements and other risks detailed in the Company's 10-K Report for the year ended February 25, 2000, and its other filings with the Securities and Exchange Commission.

Recently Issued Accounting Standards

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* establishes accounting and reporting standards for derivative instruments, requiring recognition of the fair value of all derivatives as assets or liabilities on the balance sheet. Gains and losses resulting from changes in fair value would be included in income, or in comprehensive income, depending on whether the instrument qualifies for hedge accounting and the type of hedging instrument involved. SFAS No. 137 *Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133* makes this statement effective for fiscal years beginning after June 15, 2000. Management intends to adopt the provisions of SFAS No. 133 during the Company's fiscal year 2002. The impact of this pronouncement on the Company's financial results is currently being evaluated.

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The accompanying

Consolidated Statements of Income

(in millions, except per share data)

Year Ended	**February 25, 2000**	*February 26, 1999*	*February 27, 1998*
Net sales	**$ 3,316.1**	$ 2,742.5	$ 2,760.0
Cost of sales	**2,213.4**	1,753.1	1,756.6
Gross profit	**1,102.7**	989.4	1,003.4
Selling, general and administrative expenses	**830.9**	672.2	686.0
Operating income	**271.8**	317.2	317.4
Interest expense	**(15.9)**	—	(1.7)
Other income, net	**40.5**	20.2	24.3
Income before provision for income taxes and equity in net income of joint ventures and dealer transitions	**296.4**	337.4	340.0
Provision for income taxes	**115.5**	124.9	130.9
Income before equity in net income of joint ventures and dealer transitions	**180.9**	212.5	209.1
Equity in net income of joint ventures and dealer transitions	**3.3**	8.9	7.9
Net income	**$ 184.2**	$ 221.4	$ 217.0
Earnings per share (basic and diluted)	**$ 1.21**	$ 1.44	$ 1.40

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(in millions, except share data)

	February 25, 2000	*February 26, 1999*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73.7	$ 67.5
Short-term investments	14.9	8.6
Accounts receivable, less allowances of $45.5 and $27.6	592.6	348.9
Notes receivable and leased assets	189.0	140.4
Inventories	166.5	96.5
Prepaid expenses	12.5	6.8
Deferred income taxes	78.1	68.7
Total current assets	1,127.3	737.4
Property and equipment, net	939.1	739.0
Notes receivable and leased assets	294.1	209.1
Joint ventures and dealer transitions	37.0	210.4
Deferred income taxes	43.7	40.5
Goodwill and other intangible assets, net of accumulated amortization of $38.6 and $25.6	422.6	99.6
Other assets	173.8	146.5
Total assets	$ 3,037.6	$ 2,182.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(in millions, except share data)

	February 25, 2000	February 26, 1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	$ 219.8	$ 102.1
Short-term borrowings and current portion of long-term debt	209.0	—
Accrued expenses:		
Employee compensation	121.1	92.8
Employee benefit plan obligations	90.0	51.8
Other	287.3	200.1
Total current liabilities	927.2	446.8
Long-term liabilities:		
Long-term debt	257.8	—
Employee benefit plan obligations	243.7	222.8
Deferred income taxes	29.5	—
Other long-term liabilities	17.2	12.9
Total long-term liabilities	548.2	235.7
Total liabilities	1,475.4	682.5
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock-no par value; 50,000,000 shares authorized, none issued and outstanding	—	—
Class A Common Stock-no par value; 475,000,000 shares authorized, 30,168,585 and 23,676,407 issued and outstanding	82.4	78.0
Class B Common Stock-no par value; 475,000,000 shares authorized, 120,989,840 and 129,942,288 issued and outstanding	260.3	301.4
Accumulated other comprehensive income (loss)	(33.0)	(15.0)
Retained earnings	1,252.5	1,135.6
Total shareholders' equity	1,562.2	1,500.0
Total liabilities and shareholders' equity	$ 3,037.6	$ 2,182.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(in millions)

	Common Stock Class A	Common Stock Class B	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Total Comprehensive Income
February 28, 1997	$ —	$ 408.9	$ (0.1)	$ 971.2	$ 1,380.0	
Common stock conversion	36.9	(36.9)			—	
Common stock repurchase		(43.5)			(43.5)	
Employee stock grant	4.2				4.2	
Other comprehensive income			(14.4)		(14.4)	$ (14.4)
Dividends paid				(210.9)	(210.9)	
Net income				217.0	217.0	217.0
February 27, 1998	41.1	328.5	(14.5)	977.3	1,332.4	$ 202.6
Common stock conversion	27.1	(27.1)			—	
Common stock repurchase	(15.0)				(15.0)	
Common stock issuance	24.8				24.8	
Other comprehensive income			(0.5)		(0.5)	$ (0.5)
Dividends paid				(63.1)	(63.1)	
Net income				221.4	221.4	221.4
February 26, 1999	78.0	301.4	(15.0)	1,135.6	1,500.0	$ 220.9
Common stock conversion	**22.8**	**(22.8)**			**—**	
Common stock repurchase	**(18.4)**	**(18.3)**			**(36.7)**	
Other comprehensive income			**(18.0)**		**(18.0)**	**$ (18.0)**
Dividends paid				**(67.3)**	**(67.3)**	
Net income				**184.2**	**184.2**	**184.2**
February 25, 2000	**$ 82.4**	**$ 260.3**	**$ (33.0)**	**$ 1,252.5**	**$ 1,562.2**	**$ 166.2**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in millions)

Year Ended	February 25, 2000	February 26, 1999	February 27, 1998	Total Comprehensive Income
OPERATING ACTIVITIES				
Net income	**$ 184.2**	$ 221.4	$ 217.0	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**141.8**	107.0	95.3	
Pension and postretirement benefit cost	**26.3**	22.7	17.9	
(Gain) loss on disposal of assets	**(17.0)**	—	4.3	$ (14.4)
Employee stock grant	**—**	—	4.2	
Deferred income taxes	**(4.5)**	(2.7)	(4.7)	
Equity in net income of joint ventures and dealer transitions	**(3.3)**	(8.9)	(7.9)	
Changes in operating assets and liabilities, net of corporate acquisitions:				
Accounts receivable	**(9.4)**	15.4	(36.7)	
Inventories	**(21.2)**	9.3	2.2	$ (0.5)
Prepaids expenses and other assets	**(14.7)**	(20.6)	3.7	
Accounts and notes payable	**7.9**	(15.7)	12.7	
Accrued expenses and other liabilities	**15.6**	32.0	94.7	
Net cash provided by operating activities	**305.7**	359.9	402.7	217.0
				$ 202.6
INVESTING ACTIVITIES				
Capital expenditures	**(188.8)**	(170.4)	(126.4)	
Proceeds from the disposal of assets	**39.6**	—	1.2	
Net increase in notes receivable and leased assets	**(140.2)**	(52.2)	(69.3)	
Net change in investments	**(5.9)**	4.4	(20.7)	
Joint ventures and dealer transitions	**(9.7)**	(66.8)	0.8	
Corporate acquisitions, net of cash acquired	**(209.6)**	(57.2)	(4.8)	
Net cash used in investing activities	**(514.6)**	(342.2)	(219.2)	**$ (18.0)**
FINANCING ACTIVITIES				
Proceeds from issuance of debt	**326.3**	—	—	
Repayments of debt	**(93.4)**	—	—	
Short-term borrowings, net	**90.5**	—	—	
Common stock issuance	**—**	24.8	—	
Common stock repurchase	**(36.7)**	(15.0)	(43.5)	
Dividends paid	**(67.3)**	(63.1)	(210.9)	
Net cash provided by (used in) financing activities	**219.4**	(53.3)	(254.4)	**184.2**
Effect of exchange rate changes on cash and cash equivalents	**(4.3)**	—	—	
Net increase (decrease) in cash and cash equivalents	**6.2**	(35.6)	(70.9)	
Cash and cash equivalents, beginning of year	**67.5**	103.1	174.0	
Cash and cash equivalents, end of year	**$ 73.7**	$ 67.5	$ 103.1	**$ 166.2**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1

NATURE OF OPERATIONS

Steelcase Inc. and its majority-owned subsidiaries (the "Company") is the world's largest manufacturer and provider of office furniture, office furniture systems and related products and services. The Company manufactures at more than 35 locations throughout the world, including the United States, Canada, Mexico and Europe. The Company distributes its products through a worldwide network of independent dealers in approximately 800 locations including approximately 400 in North America, 340 in Europe and 60 throughout the rest of the world. The Company operates under two geographical furniture segments, North America and International, and a services and other businesses segment.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Steelcase Inc. and its majority-owned subsidiaries, including the accounts of Steelcase Strafor S.A. and subsidiaries ("Steelcase Strafor"), which became a wholly-owned subsidiary of the Company effective March 31, 1999 (See Note 19). The Company accounts for Steelcase Strafor on a two-month lag. During the normal course of business, the Company may obtain equity interests in dealers which the Company intends to resell as soon as practicable ("dealer transitions"). The financial statements for majority-owned dealer transitions for which no specific transition plan has been adopted or is in the process of being adopted at the acquisition date are consolidated with the Company's financial statements. Majority-owned dealer transitions with a transition plan that has been adopted or is in the process of being adopted at the acquisition date are accounted for under the equity method of accounting and included in joint ventures and dealer transitions in the accompanying consolidated balance sheet in an amount equal to the Company's equity in the net assets of those entities, principally based on audited financial statements for each applicable year.

All significant intercompany accounts, transactions and profits have been eliminated in consolidation. Foreign currency-denominated assets and liabilities are translated into U.S. dollars at the exchange rates existing at the balance sheet date. Income and expense items are translated at the average exchange rates during the respective periods. Translation adjustments resulting from fluctuations in the exchange rates are recorded in accumulated other comprehensive income, a separate component of shareholder's equity. Gains and losses resulting from the exchange rate fluctuations on transactions denominated in currencies other than the functional currency are not material.

Reclassifications

The Company has reclassified certain amounts from 1998 and 1999 to conform to the 2000 presentation.

Year End

The Company's year end is the last Friday in February with each fiscal quarter including 13 weeks. Fiscal years presented herein include the 52-week periods ended February 25, 2000, February 26, 1999 and February 27, 1998.

Revenue Recognition

Net sales include product sales, service revenues and leasing revenues. Product sales and service revenues are recognized as products are shipped and services are rendered. Leasing revenue

includes interest earned on the net investments in leased assets, which is recognized over the lease term as a constant percentage return. Service and leasing revenues are not material.

Cash Equivalents

Cash equivalents consist of highly liquid investments, primarily interest-earning deposits, treasury notes and commercial paper, with an original maturity of three months or less. Cash equivalents are reported at amortized cost, which approximates market, and approximated $17.0 million and $72.9 million as of February 25, 2000 and February 26, 1999, respectively.

Long-Term Investments

The Company currently classifies its investments as available-for-sale or held-to-maturity. Investments classified as available-for-sale approximated $1.5 million and $5.5 million as of February 25, 2000 and February 26, 1999, respectively. Gross unrealized gains and losses, net of taxes, are charged or credited to comprehensive income, a separate component of shareholders' equity. Investments classified as held-to-maturity typically include treasury notes, tax-exempt municipal bonds and other debt securities which the Company has the intent and ability to hold until maturity. These investments are reported at amortized cost. Investments classified as long-term mature over the next five years.

Investments in corporate-owned life insurance ("COLI") policies, which were purchased to fund employee benefit plan obligations, are recorded at their net cash surrender values as reported by the issuing insurance companies associated with the COLI.

Inventories

Inventories are stated at the lower of cost or market and are valued based upon the last-in, first-out ("LIFO") method and the average cost method.

Property and Equipment

Property and equipment are stated at the lower of cost or net realizable value and depreciated using the straight line-method over the estimated useful life of the assets. Internal-use software applications and related development efforts are capitalized and amortized over the estimated useful lives of the applications, which do not exceed five years except for certain business application systems which approximate ten years. Software maintenance, Year 2000 related matters and training costs are expensed as incurred. Estimated useful lives of property and equipment are as follows:

Buildings and improvements	10-50 years
Machinery and equipment	3-15 years
Furniture and fixtures	5-8 years
Leasehold improvements	3-10 years
Capitalized software	3-10 years

Leased Assets

The Company's net investment in leased assets includes both direct financing and operating leases. Direct financing leases consist of the present value of the future minimum lease payments receivable (typically over three to five years) plus the present value of the estimated residual value (collectively referred to as the net investment). Residual value is an estimate of the fair value of the leased equipment at the end of the lease term, which the Company records based on market studies conducted by independent third parties.

Operating leased assets consist of the equipment cost, less accumulated depreciation. Depreciation is recognized on a straight-line basis over the lease term to the estimated residual value, which is determined on the same basis as direct financing leases as set forth above.

Notes to Consolidated Financial Statements

Goodwill and Other Intangible Assets

Goodwill and other intangible assets resulting from business acquisitions are stated at cost and amortized on a straight-line basis over a period of 15 to 40 years. The carrying value for goodwill totaled $352.4 million and $86.2 million at February 25, 2000 and February 26, 1999, respectively. Goodwill and other intangible asset amortization expense approximated $16.9 million, $4.1 million and $4.2 million for 2000, 1999 and 1998, respectively.

The Company reviews long-lived assets, including goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If it is determined that an impairment loss has occurred based on expected future cash flows, a current charge to income is recognized.

Product Related Expenses

Research and development expenses, which are expensed as incurred, approximated $70.0 million, $75.0 million and $70.0 million for 2000, 1999 and 1998, respectively.

Self-Insurance

The Company is self-insured for certain losses relating to workers' compensation claims, employee medical benefits and product liability claims. The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of workers' compensation and product liability claims. Self-insured losses are accrued based upon the Company's estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and the Company's historical experience.

The accrued liabilities for self-insured losses included in other accrued expenses in the accompanying consolidated balance sheets are as follows:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Workers' compensation claims	$ 18.2	$ 18.6
Product liability claims	10.4	11.5
	$ 28.6	$ 30.1

The Company maintains a Voluntary Employees' Beneficiary Association ("VEBA") to fund employee medical claims covered under self-insurance. The estimates for incurred but not reported medical claims, which have been fully funded by the Company in the VEBA, approximated $6.8 million and $7.9 million as of February 25, 2000 and February 26, 1999, respectively.

Product Warranty

The Company offers a lifetime warranty on Steelcase brand products, subject to certain exceptions, which provides for the free repair or replacement of any covered product or component that fails during normal use because of a defect in design, materials or workmanship. Accordingly, the Company provides, by a current charge to operations, an amount it estimates will be needed to cover future warranty obligations for products sold. In accordance with its warranty policy, the Company reserved for known warranty issues regarding its Pathways based products. See Note 20 regarding the one-time Pathways warranty charge taken in the fourth quarter of fiscal 2000. The accrued liability for warranty costs included in other accrued expenses in the accompanying consolidated balance sheets approximated $54.5 million (including the Pathways warranty reserve) and $20.6 million as of February 25, 2000 and February 26, 1999, respectively.

Environmental Matters

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition allegedly caused by past operations, that are not associated with current or future revenue generation, are expensed. Liabilities are recorded when material environmental assessments and remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. The accrued liability for environmental contingencies included in other accrued expenses in the accompanying consolidated balance sheets approximated $10.0 million and $10.7 million as of February 25, 2000 and February 26, 1999, respectively. Based on the Company's ongoing oversight of these matters, the Company believes that it has accrued sufficient reserves to absorb the costs of all known environmental assessments and the remediation costs of all known sites.

Advertising

Advertising costs, which are expensed as incurred, approximated $18.8 million, $11.3 million and $7.9 million for 2000, 1999 and 1998, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

Earnings Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during each period. It excludes the dilutive effects of additional common shares that would have been outstanding if the shares, under the Company's Stock Incentive Plans, had been issued. Diluted earnings per share includes effects of the Company's Stock Incentive Plans. The weighted average number of shares outstanding for basic and diluted calculations were 152.8 million, 153.8 million and 154.8 million for 2000, 1999 and 1998, respectively.

Stock-Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation,* encourages entities to record compensation expense for stock-based employee compensation plans at fair value, but provides the option of measuring compensation expense using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees.* The Company has elected to account for its Stock Incentive Plans in accordance with APB Opinion No. 25. Pro forma results of operations, as if the fair value method prescribed by SFAS No. 123 had been used to account for its Stock Incentive Plans, are presented in Note 13.

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments, consisting of cash equivalents, investments, accounts and notes receivable, accounts and notes payable, short-term borrowings and certain other liabilities, approximate their fair value due to their relatively short maturities.

The carrying amount of the Company's long-term debt approximates fair value due to the variable interest rates applied to the debt.

Notes to Consolidated Financial Statements

See additional discussion regarding foreign currency contracts and interest rate swaps and caps in Note 16.

Accounting for Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* establishes accounting and reporting standards for derivative instruments, requiring recognition of the fair value of all derivatives as assets or liabilities on the balance sheet. Gains and losses resulting from changes in fair value would be included in income, or in comprehensive income, depending on whether the instrument qualifies for hedge accounting and the type of hedging instrument involved. This statement is effective for fiscal years beginning after June 15, 2000. Management intends to adopt the provisions of SFAS No. 133 in fiscal year 2002. The impact of this pronouncement on the Company's financial results is currently being evaluated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures in the consolidated financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Note 3

Comprehensive Income

Total comprehensive income is comprised of net income and all changes to shareholders' equity, except those due to investments by owners and distributions to owners. For the Company, other comprehensive income consists of foreign currency translation adjustments, which aggregated $33.4 million and $13.8 million at February 25, 2000 and February 26, 1999, respectively, unrealized gain (loss) on investments and minimum pension liabilities, as follows:

(in millions)

Year Ended	**Feb 25, 2000**	*Feb 26, 1999*	*Feb 27, 1998*
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	**$(19.6)**	$ 0.7	$(14.4)
Unrealized gain (loss) on investments	**1.1**	(0.7)	—
Minimum pension liabilities	**0.5**	(0.5)	—
Other comprehensive income (loss)	**$(18.0)**	$ (0.5)	$(14.4)

Note 4

Initial Public Offering

On September 17, 1997, the Board of Directors of the Company (the "Board") authorized management to begin the process necessary for registration of the Company's Common Stock under the Securities Act of 1933, as amended, in order to permit the Company's shareholders to make a U.S. and international public offering (the "Offerings") of a portion of their shares (the "Selling Shareholders"). On October 27, 1997, the Board (i) declared a special dividend in the aggregate amount of $150.9 million, which was paid on January 9, 1998 to Common Stock holders of record as of December 2, 1997 (the "Special Dividend") and (ii) approved a proposal which was presented to the shareholders by proxy and subsequently approved on December 2, 1997 at a special meeting. In general, the approved proposal (a) effected a recapitalization of the Company's capital stock (the "Recapitalization"), (b) made certain other changes to

the Restated Articles of Incorporation and By-laws which are typical of public companies and (c) provided for the adoption of equity-based incentive and investment plans for employees of the Company (collectively, the "Stock Incentive Plans").

While the Stock Incentive Plans became effective upon approval by the Company's shareholders on December 2, 1997, the Recapitalization and other changes to the Restated Articles of Incorporation and By-laws became effective upon their filing with the State of Michigan which occurred on February 20, 1998. The Offerings, which occurred on February 18, 1998 and closed on February 25, 1998, included 13,972,500 shares of Class A Common Stock at an initial public offering price per share of $28.00. In addition, the Company purchased 1,650,000 shares of Class B Common Stock from the Selling Shareholders at the same price at which the shares of Class A Common Stock were sold to the Underwriters in the Offerings to fulfill the Employee Stock Grant and the Employee Discount Option Grant (the "Stock Repurchase") discussed in Note 12. This Stock Repurchase aggregated $43.5 million.

Note 5

Inventories

Inventories consist of:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Finished goods	**$ 71.6**	$ 40.9
Work in process	**45.6**	32.3
Raw materials	**93.4**	70.8
	210.6	144.0
LIFO reserve	**(44.1)**	(47.5)
	$ 166.5	$ 96.5

Inventories determined by the LIFO method aggregated $121.3 million and $112.4 million at February 25, 2000 and February 26, 1999, respectively. The effect of LIFO liquidations is not material.

Note 6

Property and Equipment, Net

Property and equipment, net consist of:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Land	**$ 90.8**	$ 43.3
Buildings and improvements	**759.1**	650.8
Machinery and equipment	**1,189.3**	984.7
Furniture and fixtures	**101.0**	72.1
Leasehold improvements	**48.3**	45.8
Capitalized software	**92.3**	59.8
Construction in progress	**115.3**	82.2
	2,396.1	1,938.7
Accumulated depreciation and amortization	**(1,457.0)**	(1,199.7)
	$ 939.1	$ 739.0

Depreciation and amortization expense approximated $124.9 million, $102.9 million and $91.1 million for 2000, 1999 and 1998, respectively. Construction in progress consists of numerous equipment, facility and software projects, none of which are material individually or in the aggregate.

Notes to Consolidated Financial Statements

Note 7

Notes Receivable and Leased Assets

Notes receivable and leased assets consist of:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Notes receivable:		
Project financing	$ 14.8	$ 19.3
Asset-based lending	85.2	63.4
Ownership transition financing	43.7	41.2
Other	3.5	4.2
Net investment in leased assets:		
Direct financing leases	259.6	187.6
Net operating leases	89.5	41.3
Allowance for losses	(13.2)	(7.5)
	483.1	349.5
Current portion	189.0	140.4
Long-term portion	$ 294.1	$ 209.1

Notes receivable include three distinct programs of dealer financing: project financing; asset-based lending; and ownership transition financing. Through these programs, the Company helps dealers secure interim financing, establish working capital lines of credit, finance ownership changes and restructure debt.

The terms of notes receivable range from a few months for project financing to 15 years for certain ownership transition financing. Interest rates are both floating and fixed, reaching up to 11% as of February 25, 2000. The loans are generally secured by certain dealer assets and, in some cases, the common stock of the dealership. Unused asset-based lending credit lines approximated $37.2 million as of February 25, 2000, subject to available collateral. These commitments generally expire in one year and are reviewed periodically for renewal.

The following summarizes future minimum lease payments receivable as of February 25, 2000:

(in millions)

Year ending February	*Direct financing leases*	*Operating leases*
2001	$ 80.0	$ 25.3
2002	66.4	23.5
2003	52.6	20.7
2004	40.2	14.0
2005 and thereafter	47.6	4.3
	$ 286.8	$ 87.8

Approximately 34% of direct financing leases call for transfer of ownership to customers at lease-end. The original equipment cost at lease inception for leases in effect as of February 25, 2000 is $375.2 million for direct financing leases and $112.7 million for operating leases.

Note 8

Joint Ventures and Dealer Transitions

The Company's investments in and advances to its unconsolidated joint ventures and dealer transitions are summarized as follows:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Investment in and advances to Steelcase Strafor	$ —	$ 187.9
Investments in dealer transitions	25.3	7.1
Other joint ventures	11.7	15.4
	$ 37.0	$ 210.4

As discussed in Note 19, the Company acquired the remaining 50% interest in Steelcase Strafor effective March 31, 1999. In December 1998, the Company issued a note receivable to Steelcase Strafor in the amount of $66.4 million to fund in part the acquisition of Werndl BüroMöbeL AG ("Werndl") by Steelcase Strafor.

Investments in dealer transitions represent dealers which the Company has acquired with the intention of reselling as soon as practicable. Accordingly, the Company recognizes its share of earnings and losses from dealer transitions pursuant to the equity method of accounting. Accounts and notes receivable from dealer transitions approximated $75.2 million and $25.0 million as of February 25, 2000 and February 26, 1999, respectively.

Other joint ventures are comprised of joint ventures in the United States, Saudi Arabia, Japan and Thailand.

The Company's equity in net income of joint ventures and dealer transitions consists of:

(in millions)

Year Ended	**Feb 25, 2000**	*Feb 26, 1999*	*Feb 27, 1998*
50% share of Steelcase Strafor net income *(1)*	**$ 2.6**	$ 8.9	$ 5.6
Net income of dealer transitions	**1.0**	0.1	2.0
Other joint ventures, net	**(0.3)**	(0.1)	0.3
	$ 3.3	$ 8.9	$ 7.9

(1) Due to the effective date of the Company's acquisition of Steelcase Strafor (see Note 19), net income for the year ended February 25, 2000 represents Steelcase's share of Steelcase Strafor's net income for the first quarter of fiscal 2000.

Summarized financial information for Steelcase Strafor, prior to the acquisition indicated in Note 19, as of December 31, 1998 and the two years ended December 31, 1998, is as follows:

(in millions)

December 31,	*1998*
Balance Sheet:	
Current assets	$ 315.4
Property and equipment, net	154.4
Other assets	189.9
Total assets	659.7
Current liabilities	310.1
Long-term liabilities	118.6
Total liabilities	428.7
Net assets	$ 231.0

(in millions)

Year Ended December 31,	*1998*	*1997*
Results of Operations:		
Net sales	$ 506.9	$ 468.6
Operating income	33.3	26.5
Net income	17.9	11.2

Note 9

Other Assets

Other assets consist of:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Corporate-owned life insurance	**$ 136.8**	$ 113.5
Long-term investments	**10.5**	12.9
Other	**26.5**	20.1
	$ 173.8	$ 146.5

Notes to Consolidated Financial Statements

Note 10

SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(in millions)

	Weighted Average Interest Rates	*Maturity*	**Feb 25, 2000**	*Feb. 26,1999*
U.S. dollar obligations:				
Revolving credit facilities (1)	6.09%	2001	**$ 45.4**	$ —
Notes payable (2)	7.00% — 7.83%	2001 — 2007	**60.0**	—
Lease receivables transfer facility (3)	7.09%	2001 — 2007	**170.3**	—
Other			**2.7**	—
			278.4	—
Foreign currency obligations:				
Revolving credit facilities (4)	3.34%	2001 — 2005	**165.8**	—
Notes payable (5)	3.45% — 7.00%	2001 — 2012	**19.9**	—
Other			**2.7**	—
			188.4	—
Total short-term borrowings and long-term debt			**466.8**	—
Short-term borrowings and current portion of long-term debt			**209.0**	—
Long-term debt			**$ 257.8**	$ —

(1) In April 1999, the Company established a 364-day unsecured committed revolving credit facility with various financial institutions under which it may borrow up to $200.0 million. Borrowings under the facility mature at various dates throughout the year depending on the borrowing terms, which range from one to six months as selected by the Company, subject to certain limitations. Interest on committed borrowings, which is due no later than the maturity of such borrowings, is based on LIBOR or a floating base rate, as selected by the Company, in each case plus a margin for the applicable borrowing term. The agreement which, subject to certain conditions, may be renewed annually for additional 364-day periods, contains certain covenants which include, among others, minimum levels of tangible net worth, interest coverage and debt ratio.

Additionally, the Company has entered into agreements with certain financial institutions which provide for borrowings on unsecured non-committed short-term credit facilities of up to $90.0 million at variable interest rates determined by agreement at the time of borrowing. These agreements expire within one year, and subject to certain conditions, may be renewed annually.

(2) Notes payable represents various amounts payable to banks and others. Certain agreements contain covenants which include, among others, minimum levels of tangible net worth, interest coverage and debt ratio. Approximately $12.1 million of notes payable are collateralized by lease receivables, including certain leased assets.

(3) In October 1999, the Company established a $200.0 million committed lease receivables transfer facility under which it has the right, subject to certain conditions, to receive advances against the transfer of certain lease receivables. The advances are funded either by a bank sponsored conduit vehicle via the issuance of commercial paper or by committed financial institutions. Borrowings under the facility are repaid

from the cash flow of specified lease receivables related to the Company's leasing portfolio. The facility may be renewed annually, and advances on the facility are due monthly over the next seven years with principal payments determined based upon the related underlying leases. Interest on the facility is based on the floating commercial paper rate or LIBOR plus a margin (an effective rate of 6.13% at February 25, 2000). Lease payments on the underlying lease receivables are based upon fixed interest rates. Therefore, to hedge the exposure to changes in interest rates, the Company entered into interest rate swaps in conjunction with each borrowing that effectively provides a 7.09% fixed rate for borrowings on the facility at February 25, 2000. For more information regarding interest rate swaps, see Note 16.

(4) In August 1999, the Company established an unsecured committed multi-currency revolving credit facility with various financial institutions under which it may borrow up to euro ("EUR") 200.0 million or its equivalent in optional currencies. The agreement is comprised of two tranches; Tranche A is a EUR 75.0 million, 364-day revolving facility and Tranche B is a EUR 125.0 million five-year term facility. Tranche A facility borrowings amounted to $75.5 million (EUR 75.0 million) at February 25, 2000. Subject to certain conditions, the Tranche A facility may be renewed annually for additional 364-day periods. Tranche B facility borrowings, which amounted to $76.5 million (EUR 76.0 million) at February 25, 2000, effectively mature at the end of the facility term. Interest on each borrowing, which is due no later than the maturity of such borrowing, is based on EURIBOR, LIBOR or a floating base rate as selected by the Company, in each case, plus a margin for the applicable borrowing term (an effective rate of 3.59% and 3.63% at February 25, 2000 for Tranche A and Tranche B borrowings, respectively). The agreement contains certain covenants, which include, among others, minimum levels of tangible net worth, interest coverage and debt ratio. To reduce its exposure to adverse changes in interest rates on long-term borrowings, the Company has entered into interest rate swap and cap agreements in the amount of Tranche B borrowings which effectively produce a 3.06% fixed interest rate as long as the 12-month EURIBOR rate remains between 3.06% and 5.00%. When the 12-month EURIBOR is less than 3.06% or greater than 5.00%, the Company pays a floating rate based on the 12-month EURIBOR. The Company's effective interest rate on Tranche B borrowings including the effect of swaps and caps approximated 3.06% at February 25, 2000.

Additionally, the Company has entered into agreements with certain foreign financial institutions which provide for foreign borrowings on unsecured non-committed short-term credit facilities approximating $49.4 million, with interest rates determined by agreement at the time of borrowing. Borrowings on these agreements, which mature within one year and subject to certain conditions may be renewed annually, amounted to $13.8 million at February 25, 2000.

(5) Notes payable represents foreign capitalized lease obligations, collateralized by the underlying leased assets, and various other foreign third party notes payable.

Annual maturities on short-term borrowings and long-term debt are as follows:

	(in millions)
2001	$ 209.0
2002	58.0
2003	47.3
2004	35.7
2005	97.1
Thereafter	19.7
	$ 466.8

Total cash paid for interest on short-term borrowings and long-term debt amounted to $10.6 million and zero for the years ended February 25, 2000 and February 26, 1999, respectively.

Notes to Consolidated Financial Statements

Note 11

Employee Benefit Plan Obligations

Employee benefit plan obligations consist of:

(in millions)

	Feb 25, 2000	Feb 26, 1999
Profit-sharing plans	$ 67.8	$ 38.4
Management incentive and deferred compensation plans	58.4	56.1
Pension and postretirement plans:		
Pension benefits	31.6	18.4
Postretirement benefits	175.9	161.7
	333.7	274.6
Current portion	90.0	51.8
Long-term portion	$ 243.7	$ 222.8

Profit-Sharing Plans

Substantially all North American employees are covered under the Steelcase Inc. Employees' Profit-Sharing Retirement Plan and the Steelcase Inc. Employees' Money Purchase Plan or under similar subsidiary plans. Annual Company contributions under the Steelcase Inc. Employees' Profit-Sharing Retirement Plan and similar subsidiary plans are discretionary and declared by the Compensation Committee at the end of each fiscal year. Under the Steelcase Inc. Employees' Money Purchase Plan, annual Company contributions are required in the amount of 5% of eligible annual compensation. Total expense under these plans approximated $65.9 million, $70.1 million and $79.4 million for 2000, 1999 and 1998, respectively.

Management Incentive and Deferred Compensation Plans

The Management Incentive Plan is an annual and long-term incentive compensation program that provides eligible key employees with cash payments and Company stock options based on the achievement by the Company of specified financial performance goals measured by Economic Value Added ("EVA"), as defined in the plan.

Annual bonuses are payable after the end of the fiscal year and therefore, are included in accrued compensation in the accompanying consolidated balance sheets. 75% of the long-term bonus amounts are paid out over a subsequent three-year period and 25% are paid in Company stock options, which vest over 3 years. The Company has future retirement obligations to certain employees in return for agreeing not to receive part of their compensation for a period of three to five years. Compensation withheld has primarily been invested in corporate-owned life insurance, which is expected to be sufficient to cover such future obligations.

Management incentive and deferred compensation expense approximated $23.9 million, $28.9 million and $21.2 million for 2000, 1999 and 1998, respectively.

Pension and Postretirement Benefits

The Company's pension plans include a non-qualified supplemental retirement plan that is limited to a select group of management or highly compensated employees. The obligations under this plan and other defined benefit plans at its subsidiaries are included in the pension disclosure.

The Company and certain of its subsidiaries have postretirement benefit plans that provide medical and life insurance benefits to retirees and eligible dependents. The Company accrues the cost of postretirement insurance benefits during the service lives of employees based on actuarial calculations for each plan.

The following sets forth the disclosure requirements of SFAS No. 132:

(in millions)

	Pension Plans		*Postretirement Plans*	
	Feb 25, 2000	*Feb 26, 1999*	**Feb 25, 2000**	*Feb 26, 1999*
CHANGE IN BENEFIT OBLIGATIONS:				
Benefit obligations at beginning of year	**$ 38.0**	$ 20.9	**$ 192.2**	$ 180.2
Service cost	**3.6**	2.0	**5.7**	5.5
Interest cost	**4.6**	2.5	**13.2**	12.5
Amendments	**(1.3)**	14.3	**(6.0)**	1.9
Net actuarial (gain) loss for prior year	**(2.7)**	0.6	**7.9**	—
Plan participant's contributions	**0.2**	—	**2.5**	2.1
Acquisitions (see Note 19)	**33.5**	—	**—**	—
Currency changes	**0.4**	—	**—**	—
Benefits paid	**(4.5)**	(2.3)	**(10.2)**	(10.0)
Benefit obligations, end of year	**71.8**	38.0	**205.3**	192.2
CHANGE IN PLAN ASSETS:				
Fair value of plan assets, beginning of year	**14.8**	3.8	**—**	—
Actual return on plan assets	**1.2**	0.5	**—**	—
Employer contributions	**2.5**	4.2	**7.6**	7.9
Plan participant's contributions	**1.0**	0.3	**2.4**	2.1
Acquisitions (see Note 19)	**21.1**	—	**—**	—
Currency changes	**1.3**	—	**—**	—
Benefits paid	**(4.1)**	(2.3)	**(10.0)**	(10.0)
Other	**—**	8.3	**—**	—
Fair value of plan assets, end of year	**37.8**	14.8	**—**	—
Funded status	**(34.0)**	(23.2)	**(205.3)**	(192.2)
Unrecognized prior service cost	**2.6**	—	**—**	10.1
Unrecognized transition obligation	**0.2**	4.0	**1.6**	—
Unrecognized net actuarial loss	**0.7**	1.5	**27.8**	20.4
Net amount recognized	**$ (30.5)**	$ (17.7)	**$ (175.9)**	$ (161.7)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS:				
Accrued benefit plan obligations	**$ (31.6)**	$ (18.4)	**$ (175.9)**	$ (161.7)
Prepaid pension costs	**0.9**	0.2	**—**	—
Intangible assets	**0.2**	—	**—**	—
Accumulated other comprehensive income	**—**	0.5	**—**	—
Net amount recognized	**$ (30.5)**	$ (17.7)	**$ (175.9)**	$ (161.7)

Notes to Consolidated Financial Statements

(in millions)

	Pension Plans			Postretirement Plans		
Year Ended	**Feb 25, 2000**	*Feb 26, 1999*	*Feb 27, 1998*	**Feb 25, 2000**	*Feb 26, 1999*	*Feb 27, 1998*
COMPONENTS OF EXPENSE:						
Service cost	**$ 3.6**	$ 2.0	$ 0.9	**$ 5.7**	$ 5.5	$ 3.8
Interest cost	**4.6**	2.5	1.4	**13.2**	12.5	11.8
Amortization of prior year service cost	**—**	—	—	**0.6**	0.8	0.3
Expected return on plan assets	**(2.5)**	(0.9)	(0.3)	**—**	—	—
Amortization of transition obligation	**0.3**	0.3	—	**0.5**	—	—
Recognized net actuarial (gain) loss	**0.1**	(0.2)	—	**0.2**	0.2	—
Net expense	**$ 6.1**	$ 3.7	$ 2.0	**$ 20.2**	$ 19.0	$ 15.9
WEIGHTED-AVERAGE ASSUMPTIONS:						
Discount rate	**7.00%**	7.00%	7.00%	**8.00%**	7.00%	7.00%
Expected return on plan assets	**5.00%**	7.50%	8.00%	**—**	—	—
Rate of salary progression	**5.25%**	4.50%	4.50%	**4.50%**	4.50%	4.50%

The assumed health care cost trend was 7.5% for 2000, gradually declining to 5.0% in 2005 and thereafter. A one percentage point change in assumed health care cost trend rates would have the following effects:

(in millions)

	One percentage point increase	*One percentage point decrease*
Effect on total of service and interest cost components	$ 2.1	$ (1.9)
Effect on postretirement benefit obligation	$ 19.3	$ (17.5)

Note 12

CAPITAL STRUCTURE

In connection with the 1998 Offerings discussed in Note 4, the Company effected a Recapitalization of its capital stock. Pursuant to the Recapitalization, which has been given retroactive effect in the accompanying consolidated financial statements, the following occurred:

(i) to facilitate the Stock Split described below and future issuances of capital stock, the total number of authorized shares of capital stock of the Company was increased to one billion, consisting of 475,000,000 shares of Class A Common Stock, 475,000,000 shares of Class B Common Stock and 50,000,000 shares of Preferred Stock, issuable in series;

(ii) each of the existing shares of Common Stock was converted into one share of Class B Common Stock, and the Class B Common Stock resulting from that conversion was split on a 700-for-1 basis (the "Stock Split"), effected as a stock dividend of 699 additional shares of Class B Common Stock for each outstanding share; and

(iii) immediately following the Stock Split, each of the existing shares of Class A Preferred Stock and Class B Preferred Stock (collectively, the "Existing Preferred Stock") was converted into that number of shares of Class B Common Stock determined by dividing their redemption values ($103 and $2,000, respectively) by the initial public offering price of $28 per share of Class A Common Stock.

Terms of Class A Common Stock and Class B Common Stock

Each share of Class A Common Stock sold in the Offerings resulted from the conversion of one share of Class B Common Stock concurrently with the consummation of such sale. The holders of Common Stock are generally entitled to vote as a single class on all matters upon which shareholders have a right to vote, subject to the requirements of the applicable laws and the rights of any series of Preferred Stock to a separate class vote. Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock entitles its holder to 10 votes. The Class B Common Stock is convertible into Class A Common Stock on a share-for-share basis (i) at the option of the holder thereof at any time, (ii) upon transfer to a person or entity which is not a Permitted Transferee (as defined in the Second Restated Articles of Incorporation), (iii) with respect to shares of Class B Common Stock acquired after the Recapitalization, at such time as a corporation, partnership, limited liability company, trust or charitable organization ceases to be 100% controlled by Permitted Transferees and (iv) on the date on which the number of shares of Class B Common Stock outstanding is less than 15% of the then outstanding shares of Common Stock (without regard to voting rights).

Except for the voting and conversion features, the terms of Class A Common Stock and Class B Common Stock are generally similar. That is, the holders are entitled to equal dividends when declared by the Board and generally will receive the same per share consideration in the event of a merger, and be treated on an equal per share basis in the event of a liquidation or winding up of the Company. In addition, the Company is not entitled to issue additional shares of Class B Common Stock, or issue options, rights or warrants to subscribe for additional shares of Class B Common Stock, except that the Company may make a pro rata offer to all holders of Common Stock of rights to purchase additional shares of the class of Common Stock held by them.

Preferred Stock

The Second Restated Articles of Incorporation authorize the Board, without any vote or action by the shareholders, to create one or more series of Preferred Stock up to the limit of the Company's authorized but unissued shares of Preferred Stock and to fix the designations, preferences, rights, qualifications, limitations and restrictions thereof, including the voting rights, dividend rights, dividend rate, conversion rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series.

Notes to Consolidated Financial Statements

Note 13

Stock Incentive Plans

The Stock Incentive Plans for employees and affiliates of the Company include the Steelcase Inc. Employee Stock Purchase Plan (the "Purchase Plan") and the Steelcase Inc. Incentive Compensation Plan (the "Incentive Compensation Plan").

Employee Stock Purchase Plan

The Company reserved a maximum of 1,500,000 shares of Class A Common Stock for use under the Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to the Purchase Plan, each eligible employee, as of the start of any purchase period, will be granted an option to purchase a designated number of shares of Class A Common Stock. The purchase price of shares of Class A Common Stock to participating employees is designated by the Compensation Committee but in no event shall be less than 85% of the lower of the fair market values of such shares on the first and last trading days of the relevant purchase period. However, no employee may purchase shares under the Purchase Plan in any calendar year with an aggregate fair market value (as determined on the first day of the relevant purchase period) in excess of $25,000. The Board may at any time amend or terminate the Purchase Plan.

The initial purchase period under the Purchase Plan began on the date of the pricing of the Offerings in 1998 and ended on April 17, 1998. Eligible employees who wished to participate in the Purchase Plan were allowed to purchase by April 17, 1998 a maximum of 100 shares of Class A Common Stock at 85% of the initial public offering price (the "Employee Discount Option Grant"). The Company granted approximately 15,000 employees the option to participate in the Purchase Plan during the initial purchase period, which resulted in the issuance of 1,045,279 shares of Class A Common Stock and the receipt by the Company of related proceeds approximating $24.8 million.

Incentive Compensation Plan

The Company reserved for issuance under the Incentive Compensation Plan a maximum of 150,000 shares of Class A Common Stock for a special one-time grant on the date of the pricing of the Offerings plus an additional 6,134,727 shares of Common Stock. The Compensation Committee or its designee will have full authority, subject to the provisions of the Incentive Compensation Plan, to determine, among other things, the persons to whom awards under the Incentive Compensation Plan ("Awards") will be made, the exercise price, vesting, size and type of such Awards, and the specific performance goals, restrictions on transfer and circumstances for forfeiture applicable to Awards.

Awards may be made to employees and non-employee directors of the Company or others as designated by the Compensation Committee. A variety of Awards may be granted under the Incentive Compensation Plan including stock options, stock appreciation rights ("SARs"), restricted stock, performance shares, performance units, cash-based awards, phantom shares and other share-based awards as the Compensation Committee may determine. Stock options granted under the Incentive

Compensation Plan may be either incentive stock options intended to qualify under Section 422 of the Code or non-qualified stock options not so intended. The Board may amend or terminate the Incentive Compensation Plan.

In the event of a "change of control," as defined in the Incentive Compensation Plan, (i) all outstanding options and SARs granted under the Incentive Compensation Plan will become immediately exercisable and remain exercisable throughout their entire term, (ii) any performance-based conditions imposed with respect to outstanding Awards shall be deemed to be fully earned and a pro rata portion of each such outstanding Award granted for all outstanding performance periods shall become payable in shares of Class A Common Stock, in the case of Awards denominated in shares of Class A Common Stock, and in cash, in the case of Awards denominated in cash, with the remainder of such Award being canceled for no value and (iii) all restrictions imposed on restricted stock that are not performance-based shall lapse.

Concurrent with the Offerings in 1998, the Company issued 10 shares of Class A Common Stock each to certain employees of the Company and its subsidiaries as designated by the Compensation Committee (the "Employee Stock Grant"). The Employee Stock Grant included 149,540 shares of Class A Common Stock in the aggregate and resulted in $4.2 million of compensation expense which was recognized by the Company in 1998 upon issuance.

In addition, the Company issued options to purchase shares of Class A Common Stock to certain employees and non-employee directors of the Company, both in connection with and subsequent to the Offerings in 1998. Information relating to the Company's stock options, which pursuant to APB Opinion No. 25 did not result in any material compensation expense recognized by the Company, is as follows:

	Number of Shares	*Weighted Average Option Price Per Share*
Unexercised options outstanding –		
February 28, 1997	—	—
Options granted	2,661,000	$ 28.00
Options exercised	—	—
Options forfeited	—	—
Unexercised options outstanding–		
February 27, 1998	2,661,000	$ 28.00
Options granted	9,350	$ 36.50
Options exercised	—	—
Options forfeited	—	—
Unexercised options outstanding –		
February 26, 1999	2,670,350	$ 28.03
Options granted	1,609,500	$ 14.35
Options exercised	—	—
Options forfeited	(202,250)	$ 24.68
Unexercised options outstanding –		
February 25, 2000	4,077,600	$ 22.80
Exercisable options:		
February 27, 1998	—	—
February 26, 1999	289,100	$ 28.00
February 25, 2000	579,135	$ 28.01

The price per share of options outstanding ranged from $13.94 to $36.50 at February 25, 2000, $28.00 to $36.50 at February 26, 1999 and $28.00 at February 27, 1998. As of February 25, 2000, there were 2,057,587 options available for future issuances.

Notes to Consolidated Financial Statements

SFAS No. 123 Pro Forma Data

As discussed in Note 2, the Company accounts for its Stock Incentive Plans in accordance with APB Opinion No. 25. Accordingly, no compensation expense has been recognized for the Employee Discount Option Grant or the Company's employee stock option grants. If the Company had recognized compensation expense based upon the fair value of the Employee Discount Option Grant and the Company's employee stock option grants at the date of grant and their respective vesting periods, as prescribed by SFAS No. 123, the Company's net income and earnings per share would have been as follows:

(in millions, except per share amounts)

	Feb 25, 2000	Feb 26, 1999	Feb 27, 1998
Pro forma net income	**$ 181.5**	$ 219.6	$ 212.8
Pro forma earnings per share (basic and diluted)	**$ 1.19**	$ 1.43	$ 1.37

The estimated fair value of the Employee Discount Option Grant approximated the 15% discount discussed above. The fair value of each option grant was estimated at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Feb 25, 2000	Feb 26, 1999	Feb 27, 1998
Risk-free interest rate	**5.2%**	5.6%	5.5%
Dividend yield	**3.1%**	1.4%	1.4%
Volatility	**31.6%**	32.4%	30.0%
Average expected term (years)	**4.0**	6.8	6.8
Fair value of options granted	**$ 3.59**	$ 14.16	$ 10.60

Note 14

Other Income, Net

Other income, net consists of:

(in millions)

Year Ended	Feb 25, 2000	Feb 26, 1999	Feb 27, 1998
Interest income	**$ 16.6**	$ 23.2	$ 29.2
Interest income from tax litigation	**—**	5.8	—
Gain (loss) on dealer transitions	**8.3**	(2.2)	(1.8)
Gain on disposal of property and equipment	**10.0**	—	—
Gain on sale of investments	**7.0**	—	—
Miscellaneous-net	**(1.4)**	(6.6)	(3.1)
	$ 40.5	$ 20.2	$ 24.3

Note 15

Income Taxes

The provision for income taxes on income before equity in net income of joint ventures and dealer transitions consists of:

(in millions)

Year Ended	Feb 25, 2000	Feb 26, 1999	Feb 27, 1998
Current income taxes:			
Federal	**$ 98.9**	$ 115.7	$ 115.7
State and local	**4.5**	9.0	9.5
Foreign	**19.2**	2.9	10.4
	122.6	127.6	135.6
Deferred income taxes:			
Federal	**(4.6)**	(3.1)	(0.8)
State and local	**(0.1)**	(0.3)	(0.3)
Foreign	**(2.4)**	0.7	(3.6)
	(7.1)	(2.7)	(4.7)
	$ 115.5	$ 124.9	$ 130.9

illions)
1998
29.2
—
(1.8)
—
—
(3.1)
24.3

in net
f:
illions)
, 1998
115.7
9.5
10.4
135.6
(0.8)
(0.3)
(3.6)
(4.7)
130.9

The company has not provided for U.S. income taxes on undistributed earnings of foreign subsidiaries totaling $130.8 million at February 25, 2000, as foreign subsidiary undistributed earnings are considered permanently invested in those businesses. These amounts would be subject to possible U.S. taxation only if remitted as dividends. Foreign withholding taxes could be payable upon remittance of these earnings. Subject to certain limitations, the withholding taxes would then be available for use as credit against the U.S. tax liability. However, the determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of deferred income taxes relate to the following:

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Deferred income tax assets:		
Employee benefit plan obligations	**$ 112.2**	$107.9
Reserves and allowances	**50.9**	29.2
Foreign losses	**3.6**	5.8
Other	**7.1**	12.3
Total deferred income tax assets	**173.8**	155.2
Deferred income tax liabilities:		
Property and equipment	**(45.4)**	(39.6)
Intangible assets	**(24.0)**	—
Net leased assets	**(12.1)**	(6.4)
Net deferred income tax assets	**92.3**	109.2
Current portion	**78.1**	68.7
Non-current portion	**$ 14.2**	$ 40.5

The Company has recorded a deferred tax asset as of February 25, 2000 of $3.6 million reflecting the benefit of foreign operating loss carry-forwards that expire at various dates through 2007. Realization is dependent on future taxable income of the related foreign operations and tax planning strategies available to the Company. Although realization is not assured, management believes it is more likely than not that deferred tax assets will be realized.

The effective income tax rate on income before equity in net income of joint ventures and dealer transitions varied from the statutory federal income tax rate as set forth in the following table:

Year Ended	**Feb 25, 2000**	*Feb 26, 1999*	*Feb 27, 1998*
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes	**1.6**	2.5	2.7
Tax exempt interest	**—**	—	(0.2)
Goodwill and intangible asset amortization and write-offs	**1.0**	0.3	0.2
Research and development credit	**(0.3)**	(0.4)	(0.6)
Other	**1.7**	(0.4)	1.4
Effective income tax rate	**39.0%**	37.0%	38.5%

During 1999, the provision for income taxes benefited from the favorable resolution of income tax litigation dating back to 1989, primarily related to investment tax credits and accelerated depreciation on the Company's Corporate Development Center. The resolution of these tax matters contributed to a reduced effective tax rate for 1999 and resulted in interest income of $5.8 million.

The Company made income tax payments of $123.2 million, $59.3 million and $116.0 million during 2000, 1999 and 1998, respectively.

Notes to Consolidated Financial Statements

Note 16

Financial Instruments, Concentrations of Credit Risk and Off-Balance-Sheet Risk

Financial instruments, which potentially subject the Company to concentrations of investment and credit risk, primarily consist of cash equivalents, investments, accounts receivable and notes receivable and leased assets, corporate-owned life insurance policies, accounts payable and short-term borrowings and long-term debt. The Company places its cash with high-quality financial institutions and invests in high-quality securities and commercial paper. The Company limits its exposure, by policy, to any one financial institution or debtor.

The Company's customers consist primarily of independent dealers in the office environment industry. They are dispersed globally, but primarily across all North American and several European geographic areas. All probable uncollectible accounts and notes receivable and leased assets have been appropriately considered in establishing the allowances for losses. In general, the Company obtains security interests in the assets of the customer. These security interests are generally secondary to the interest of the customer's primary lenders.

Guarantees of debt obligations are conditional commitments issued by the Company to guarantee the performance of certain unconsolidated dealers and joint ventures to a third party. These guarantees are primarily issued to support private borrowing arrangements. The Company has guaranteed approximately $49.7 million and $30.6 million of debt obligations of unconsolidated dealers and joint ventures as of February 25, 2000 and February 26, 1999, respectively. Although this amount represents the maximum exposure to loss, management believes the actual risk of loss to be insignificant.

The Company uses financial instruments, principally forward contracts and swaps and interest rate swaps and caps, primarily to reduce its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These contracts hedge transactions and balances for periods and amounts consistent with its committed exposures and do not constitute investments independent of these exposures. The Company does not use these financial instruments for speculative or trading purposes. Gains and losses on currency forward contracts and swaps that are designated and effective as hedges of anticipated transactions, for which a firm commitment has been attained, are deferred and recognized in income in the same period that the underlying transactions are settled, and generally offset. Gains and losses on interest rate swaps and caps are recognized as an adjustment to interest expense over the life of the contract. See Note 10 for more information regarding interest rate swaps and caps. The fair market value of forward contracts and swaps and interest rate swaps and caps was not material at February 25, 2000 or February 26, 1999.

Note 17

Commitments and Contingencies

The Company leases certain sales offices, showrooms and equipment under non-cancelable operating leases that expire at various dates through 2013. Minimum annual rental commitments under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of February 25, 2000, are as follows:

(in millions)

Year Ending	*Amount*
2001	$ 29.5
2002	22.6
2003	19.4
2004	16.6
2005	14.2
Thereafter	24.7
	$127.0

Rent expense under all operating leases approximated $39.8 million, $42.5 million and $47.0 million for 2000, 1999 and 1998, respectively.

The Company is involved in litigation from time to time in the ordinary course of its business. Based on known information, management believes that the Company is not currently party to any material litigation.

Note 18

Operating Segments

The Company's principal business is the manufacture of an extensive range of steel and wood office furniture products. Primary product lines include office furniture systems, seating, storage solutions, desk and casegoods, and interior architectural products. In addition, the Company also provides services and is engaged in non-furniture businesses, which include marine accessories and design, financial services and consulting services. The Company operates on a worldwide basis within three reportable segments, two of which are geographic furniture segments, and services and other businesses. In prior years, the Company has reported those two geographic furniture segments as being the U.S. and International/Canada combined. Due to the acquisition of the remaining 50% equity interest in Steelcase Strafor and the significant impact of this acquisition on the Company's consolidated financial statements, the Company has implemented a new reporting structure which focuses separately on North American and International furniture operations. North America includes the U.S., Canada and the Steelcase Design Partnership. International includes the rest of the world, with the major portion of the operations in Europe. Accordingly, prior year segment information presented below has been restated to reflect the new reporting structure.

The Company evaluates performance and allocates resources based on operating income. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies included elsewhere herein.

Notes to Consolidated Financial Statements

The following sets forth reportable segment data reconciled to the consolidated financial statements for the three years ended February 25, 2000, February 26, 1999 and February 27, 1998:

(in millions)

2000	Office Furniture		Services &		
	North America	*International*	*Other Businesses*	*Eliminations*	*Consolidated*
Net sales	**$ 2,606.4**	**$ 721.5**	**$ 136.5**	**$ (148.3)**	**$ 3,316.1**
Operating income	**239.8**	**31.4**	**11.0**	**(10.4)**	**271.8**
Total assets	**1,678.2**	**679.2**	**680.2**	**—**	**3,037.6**
Capital expenditures	**169.9**	**14.5**	**8.4**	**(4.0)**	**188.8**
Depreciation & amortization	**103.4**	**35.1**	**8.3**	**(5.0)**	**141.8**

1999	Office Furniture		Services &		
	North America	*International*	*Other Businesses*	*Eliminations*	*Consolidated*
Net sales	$ 2,511.3	$ 622.2	$ 115.9	$ (506.9)	$ 2,742.5
Operating income	302.5	39.1	8.8	(33.3)	317.2
Total assets	1,559.2	694.4	588.7	(659.7)	2,182.5
Capital expenditures	162.3	31.1	5.5	(28.5)	170.4
Depreciation & amortization	98.9	23.8	6.9	(22.5)	107.0

1998	Office Furniture		Services &		
	North America	*International*	*Other Businesses*	*Eliminations*	*Consolidated*
Net sales	$ 2,495.7	$ 607.0	$ 125.9	$ (468.6)	$ 2,760.0
Operating income	301.1	38.5	4.3	(26.5)	317.4
Total assets	1,444.5	528.8	528.5	(494.6)	2,007.2
Capital expenditures	117.3	13.9	9.1	(13.9)	126.4
Depreciation & amortization	85.8	25.9	7.9	(24.3)	95.3

For the first quarter of 2000 and for full year 1999 and 1998, International office furniture reflects the accounts of Steelcase Strafor, the Company's 50% owned joint venture in Europe, as if the joint venture had been consolidated. As described in Note 19, the remaining 50% equity interest of Steelcase Strafor was purchased effective March 31, 1999. Accordingly, Steelcase Strafor's results of operations have been consolidated with the Company's results of operations from the acquisition date. Eliminations include the removal of Steelcase Strafor unconsolidated financial results in order to reconcile with the Company's consolidated totals.

Total assets within services and other businesses include notes receivable and leased assets as described in Note 7.

Reportable geographic information is as follows:

(in millions)

	Feb 25, 2000	Feb 26, 1999	Feb 27, 1998
Net Sales:			
United States	**$ 2,641.5**	$ 2,516.5	$ 2,509.4
Foreign locations (1)	**674.6**	226.0	250.6
Total	**$ 3,316.1**	$ 2,742.5	$ 2,760.0
Long-lived Assets:			
United States	**$ 1,070.7**	$ 953.2	$ 819.9
Foreign locations (1)	**464.8**	31.9	38.4
Total	**$ 1,535.5**	$ 985.1	$ 858.3

(1) Information for Steelcase Strafor prior to the Company's March 31, 1999 acquisition of the remaining 50% equity interest in Steelcase Strafor has been excluded (see Note 19).

Net sales are attributable to countries based on the location of the customer.

Note 19

Acquisitions

On April 22, 1999, Steelcase Inc., through its wholly-owned French subsidiary, Steelcase SAS, acquired the 50% equity interest in Steelcase Strafor held by its joint venture partner, Strafor Facom S.A. The purchase was effective as of March 31, 1999. As a part of this transaction, the Company also acquired Strafor Facom S.A.'s 5% equity interest in Werndl, 3% equity interest in Pohlschröder GmbH and 50% equity interest in Details S.A. The purchase price paid to Strafor Facom S.A. for these equity interests approximated $230 million, including transaction costs of approximately $5 million, and was funded by approximately $78 million of existing cash balances, $111 million of short-term borrowings and $41 million of long-term debt.

As a result of this acquisition, which was accounted for under the purchase method of accounting, Steelcase Strafor is now wholly-owned by the Company. Accordingly, the February 25, 2000 consolidated balance sheet includes the accounts and balances of Steelcase Strafor, including a $25.7 million contingent liability recorded in accrued other expenses for additional purchase price to be paid resulting from Steelcase Strafor's acquisition of Werndl in calendar year 1998. Additionally, the results of operations of Steelcase Strafor, which is accounted for on a two month lag, from April 1, 1999 through December 31, 1999 have been consolidated with the Company's results of operations.

The Company recorded intangible assets as follows resulting from the consolidation of Steelcase Strafor:

(in millions)

	Amortization Period	Amount	Annual Amortization
Goodwill	40 years	$ 259.2	$ 6.5
Trademarks	2 to 25 years	52.7	3.3
Non-compete agreement	3.5 years	10.8	3.1

Notes to Consolidated Financial Statements

The following unaudited pro forma data summarizes the combined results of operations of the Company and Steelcase Strafor as if the acquisition had occurred at the beginning of the twelve month period ended February 27, 1998, and includes the effect of purchase accounting adjustments. In addition, the Steelcase Strafor results of operations include the pro forma effects of the acquisition of Werndl, a business acquired by Steelcase Strafor on December 16, 1998. No adjustment has been included in the pro forma amounts for any anticipated cost savings or other synergies.

(in millions)

	Feb 25, 2000	*Feb 26, 1999*
Results of Operations:		
Revenues	$ 3,464.4	$ 3,344.4
Gross profit	1,150.5	1,176.6
Operating income	280.7	355.0
Net income	182.2	215.6
Earnings per share (basic and diluted)	$ 1.19	$ 1.40

Effective August 31, 1999, the Company acquired an 89% equity interest in a significant dealer located in the Northeast United States, for $33.7 million. Because no transition plan had been adopted or was in the process of being adopted on the acquisition date, the transaction was accounted for under the purchase method of accounting. Accordingly, this dealer's results of operations subsequent to August 31, 1999 have been consolidated with the Company's results of operations. The transaction was completed for $24.0 million in cash and $9.7 million in a note payable, and resulted in the Company recording an intangible asset of $28.0 million for the excess of the purchase price over the estimated fair value of the net assets acquired, which is being amortized over 15 years.

Effective September 4, 1999, the Company purchased the remaining 50% equity interest of Clestra Hauserman, Inc. ("Clestra") for $6.4 million. Clestra, based in Solon, Ohio, designs, manufactures, installs and services moveable and demountable steel walls for office interiors. The transaction, which was completed for $5.2 million in cash and $1.2 million in settlement of a note receivable, was accounted for under the purchase method of accounting. As a result, the Company reduced long term assets by $8.1 million for the excess of the estimated fair value of the net assets acquired over the purchase price, and the results of operations of Clestra subsequent to September 4, 1999 have been consolidated with the Company's results of operations. The Company's 50% equity interest in the net loss of Clestra through September 4, 1999 is included in equity in net income of joint ventures and dealer transitions in the accompanying condensed consolidated statements of income.

Effective January 4, 1999, the Company acquired certain assets and liabilities of J.M. Lynne Company, a New York Corporation, which designs and distributes vinyl wall coverings for commercial environments. The acquisition of J.M. Lynne Company was completed for $36.0 million in cash and was accounted for under the purchase method of accounting. As a result of this acquisition, the Company recorded an intangible asset of $29.4 million for the excess purchase price over the estimated fair value of net assets acquired, which is being amortized over 15 years.

Note 20

Unaudited Quarterly Results

The following sets forth summary unaudited information on a quarterly basis for the Company:

(in millions, except per share amounts)

2000	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Total*
Net sales	$ 691.8	$ 831.9	$ 881.0	$ 911.4	$ 3,316.1
Gross profit	253.4	281.6	294.3	273.4	1,102.7
Operating income	82.7	66.7	78.3	44.1	271.8
Net income	56.7	38.2	45.3	44.0	184.2
Earnings per share (basic and diluted)	0.37	0.25	0.30	0.29	1.21

1999	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Total*
Net sales	$ 672.3	$ 704.0	$ 687.6	$ 678.6	$ 2,742.5
Gross profit	253.2	265.2	240.7	230.3	989.4
Operating income	78.3	91.8	76.8	70.3	317.2
Net income	54.0	62.7	57.4	47.3	221.4
Earnings per share (basic and diluted)	0.35	0.41	0.37	0.31	1.44

Effective March 31, 1999, Steelcase Inc. acquired the remaining 50% equity interest in Steelcase Strafor. Accordingly, the results of operations of Steelcase Strafor, which is accounted for on a two month lag, from April 1, 1999 through December 31, 1999 have been consolidated with the Company's results of operations. See Note 19.

During the fourth quarter of 2000, the Company recorded a one-time charge of $24.5 million ($15.0 million net of tax) to cost of sales for expenses related to the field retrofit of beltways and insulation materials within installed Pathways products.

Additionally, the Company sold certain non-operating assets and had investment gains resulting in one-time non-operating gains of $15.2 million ($9.3 million after tax).

During the third quarter of 1999, the Company benefited from the successful resolution of income tax litigation, which contributed to a reduction in the overall effective income tax rate expected for 1999 and resulted in interest income, resulting in an increase in net income of $6.2 million.

Report of Independent Certified Public Accountants

Steelcase Inc.
Grand Rapids, Michigan

We have audited the accompanying consolidated balance sheets of Steelcase Inc. and subsidiaries as of February 25, 2000 and February 26, 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended February 25, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steelcase Inc. and subsidiaries as of February 25, 2000 and February 26, 1999, and the results of their operations and their cash flows for each of the three years in the period ended February 25, 2000, in conformity with generally accepted accounting principles.

BDO Seidman, LLP
Grand Rapids, Michigan
March 20, 2000

Management's Responsibility for Financial Reporting

The consolidated financial statements and other financial information contained in this annual report were prepared by management in conformity with generally accepted accounting principles. In preparing these financial statements, reasonable estimates and judgments have been made when necessary.

Management is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial records. The concept of reasonable assurance recognizes that there are inherent limitations in any control system and that the cost of maintaining a control system should not exceed the expected benefits to be derived therefrom. Management believes its system of internal control effectively meets its objective of reliable financial reporting.

The Audit Committee of the Board of Directors meets periodically with management and the independent accountants to review and discuss audit findings and other financial and accounting matters. The independent accountants have free access to the Audit Committee, with and without management present, to discuss the results of their audit work.

The Company's independent accountants are engaged to audit the Company's consolidated financial statements, in accordance with generally accepted auditing standards for the purpose of expressing an opinion on the financial statements.

James P. Hackett
President and
Chief Executive Officer

Alwyn Rougier-Chapman
Senior Vice President-Finance,
Chief Financial Officer

Directors and Executive Officers

DIRECTORS

David Bing [3]
Chairman, the Bing Group

William P. Crawford
Retired; formerly President and Chief Executive Officer, Steelcase Design Partnership

James P. Hackett [1,2]
President and Chief Executive Officer, Steelcase Inc.

Earl D. Holton [1,2,3]
Chairman of the Board of Directors, Steelcase Inc.; Vice Chairman of the Board of Directors, Meijer, Inc.

David D. Hunting, Jr. [3]
Retired; formerly Executive Vice President, Subsidiaries, Steelcase Inc.

Frank H. Merlotti [1,2]
Retired; formerly President, Chief Operating Officer and Chief Executive Officer, Steelcase Inc.

Robert C. Pew II [1,2]
Chairman Emeritus of the Board of Directors, Retired; formerly Chairman of the Board of Directors and Chief Executive Officer, Steelcase Inc.

Robert C. Pew III [1,2]
Owner, Cane Creek Farm, Fletcher, North Carolina; formerly President, Steelcase North America and Executive Vice President, Operations, Steelcase Inc.

Peter M. Wege
Vice Chairman of the Board of Directors, Steelcase Inc.

Peter M. Wege II [1,2]
President, Greylock, Inc., Grand Rapids, Michigan; formerly President, Steelcase Canada Ltd., Markham, Ontario, Canada

P. Craig Welch, Jr. [2]
Venture Capitalist; formerly Director of Information Services, Director of Production Inventory Control, Steelcase Inc.

1/ Executive Committee
2/ Compensation Committee
3/ Audit Committee

EXECUTIVE OFFICERS

Robert A. Ballard
President, Steelcase North America, Steelcase Inc.

Robert W. Black
Senior Vice President, Steelcase International, Steelcase Inc.

Jon D. Botsford
Senior Vice President, General Counsel and Secretary, Steelcase Inc.

Mark T. Greiner
Senior Vice President, Global E-Business and Chief Information Officer, Steelcase Inc.

James P. Hackett
President and Chief Executive Officer, Steelcase Inc.

Nancy Hickey
Senior Vice President, Global Human Resources, Steelcase Inc.

James P. Keane
Senior Vice President, Corporate Strategy, Research and Development, Steelcase Inc.

Michael Love
President and Chief Executive Officer, Steelcase Design Partnership

Alwyn Rougier-Chapman
Senior Vice President-Finance, Chief Financial Officer, Steelcase Inc.

Information for Our Investors

Steelcase Inc. common stock is traded on the New York Stock Exchange under the symbol SCS. The following table shows the high and low stock prices by quarter for fiscal years 2000 and 1999. There were 14,254 Class A Common Stock shareholders and 245 Class B Common Stock shareholders of record as of April 14, 2000. The Class B Common Stock is not publicly traded, but is convertible to Class A Common Stock on a one-for-one basis.

Trading and Dividend Information

Year Ended	**Feb 25, 2000**			*Feb 26, 1999*		
	High	*Low*	*Cash Dividends Declared*	*High*	*Low*	*Cash Dividends Declared*
First quarter	**$ 20.750**	**$ 13.625**	**$ 0.11**	$ 38.375	$ 28.000	$ 0.10
Second quarter	**20.000**	**14.500**	**0.11**	29.875	18.125	0.10
Third quarter	**15.500**	**12.250**	**0.11**	19.750	12.750	0.10
Fourth quarter	**13.750**	**10.250**	**0.11**	18.438	13.313	0.11

Shareholder Accountant Assistance

Registered shareholders who wish to change their addresses or ask questions about other stock administration matters should contact the transfer agent at:

Bank of Boston, N.A.
c/o Boston EquiServe, L.P.
P.O. Box 8040
Boston, MA 02266-8040
(800) 958-6931

If outside the continental U.S. and Canada:
(781) 575-3120

TDD for those who are hearing or speech impaired:
(800) 952-9245

Internet: www.equiserve.com

Independent Certified Public Accountants

BDO Seidman, LLP
Grand Rapids, Michigan

Shareholder and Investor Inquiries

For additional financial information, including the company's Form 10-K and Form 10-Q reports and additional copies of this annual report, visit the Steelcase Website, www.steelcase.com, or contact:

Steelcase Investor Relations
CH.2E.02
P.O. Box 1967
Grand Rapids, MI 49501-1967

Telephone (616) 247-2200
Fax (616) 475-2270

Corporate Headquarters

Mailing Address:
Steelcase Inc.
P.O. Box 1967
Grand Rapids, MI 49501
(616) 247-2710

Street Address:
901 44th Street
Grand Rapids, Michigan 49508

New Electronic Voting

Shareholders can now vote their proxies by telephone or via the Internet. Their proxy card explains how. This proxy card's instructions also explain how shareholders can receive their annual report and proxy statement electronically in the future. Shareholders who choose to do this will receive an e-mail notifying them that these materials have been posted on the Steelcase Website. They will not receive printed versions of these materials unless they request them.

Investor Relations Website

Shareholders who wish to receive Steelcase investor information as soon as it is published should visit the investor relations section of the company's Website at www.steelcase.com.

Consumer Affairs

For your nearest Steelcase dealer's address and telephone number or for information about Steelcase products, call (800) 333-9939, or visit the company's Website.

If you have questions, comments, problems, or special requests, call your dealer or Steelcase Line 1 at (888) 783-3552 (888-STEELCASE). Outside the U.S. call (616) 247-2500.

Annual Meeting

The annual shareholders' meeting to review the fiscal year that ended February 25, 2000, begins at 11A.M. EDT on June 15, 2000, in the Systems II Building adjacent to Steelcase Corporate Headquarters at 1111 44th Street S.E., Grand Rapids, Michigan.

Steelcase

Steelcase Offerings Around the World

Federal Expres

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Jim O'Connor
STEELCASE INC.
901 44TH ST. SE
GRAND RAPIDS MI 49508
(616)247-3336

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ACCOUNT # 049502222
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TO: MS. DEENA SHEPPARD-JOHNSON, SR-6J ( ) -
ENVIRONMENTAL PROTECTION AGENCY
REMEDIAL ENFORCEMENT SUPPORT SECTIO
77 WEST JACKSON BOULEVARD
CHICAGO IL 60604

323 6758 183

FedEx

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323 6758 183

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